Austria	Sch22	Indonesia	[illegible]	Oman	OR1
Bahrain	[illegible]	Iraq	[illegible]	Philipines	Peso40
Belgium	[illegible]	Israel	[illegible]	Portugal	Esc145
Cyprus	C£0.90	Italy	L1700	Qatar	[illegible]
Denmrk	DKr10.00	Jordan	Fils500	S.Arabia	[illegible]
Egypt	E£2.25	Kuwait	[illegible]	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	[illegible]	Spain	[illegible]
France	FFr7.00	Lux	[illegible]	Sweden	[illegible]
Germany	DM2.20	Malaysia	[illegible]	Switz	[illegible]
Greece	Dr120	Morocco	[illegible]	Thailand	[illegible]
Hong Kong	HK$12	Neth	[illegible]	Tunisia	[illegible]
Iceland	Ikr125	Nigeria	[illegible]	Turkey	[illegible]
India	Rup15	Norway	[illegible]	UAE	[illegible]

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

MEXICO

Sets out to win back investment

Page 8

No.30,852 — Thursday May 25 1989 — D 8523A

World News

Alfonsín accused of creating faction

Argentina's President Raúl Alfonsín was accused by members of his Radical Party of handing over authority to an internal party faction composed of "an irresponsible group greedy for power." Page 20

Pressure on Wright

Jim Wright, Speaker of the US House of Representatives, may step down temporarily during the final phase of the inquiry into his financial dealings. Page 7

War criminal caught

Paul Touvier, one of the last French collaborators wanted for war crimes committed during the Nazi occupation, was arrested. Page 20

Japanese N-probe

Japanese police are investigating allegations that a Tokyo company bought US material used in nuclear reactors and re-exported it illegally to East Germany. Page 6

Walesa demand

Lech Walesa, Solidarity leader, reaffirmed demands for the legalisation of NZS, Poland's independent students' association. Page 3

Arab League debate

Arab League summit in Morocco is working towards solving the crises in Lebanon and the occupied West Bank. Page 6

French arms cuts

Some major French conventional weapons programmes will be stretched over time or scaled down. Page 3

Soviet-Afghan aid

Soviet Union poured fresh supplies of tanks and artillery into Kabul in support of Afghan Government. Page 6

Panamanian fraud

Candidate in Panama's nullified presidential elections said vote fraud was committed by both pro- and anti-government parties. Page 7

German travel fear

Fears mounted that East Germans may soon be barred from travelling to Hungary as a result of its removal of border fences to Austria. Page 3

Parisian fair rent

France's socialist government introduced a new housing law designed to brake the recent increases in rents of flats in Paris. Page 3

Chilean beatings

West German TV journalist and two Chilean aides were beaten by several men who blocked them from approaching a secretive German colony in southern Chile. Page 7

Bosporus blocked

Soviet freighter ran aground in the Bosporus, Turkey, forcing a nine-hour closure of the entrance to the Black Sea.

Korean unrest

Scores were injured in sporadic protests in South Korea's Kwangju city as citizens and students commemorated a 1980 civil uprising.

Seaman killed

British merchant seamen was killed when he was struck by lightning in a storm which cut off power supplies to 6,000 UK homes.

Business Summary

Carlton to make agreed offer to buy UEI

Carlton Communications, the UK television services company, has made its second large acquisition in a year with an agreed offer for UEI, the UK digital processing and engineering company. Page 21

FRANCE announced it would wipe out the public debt owed to it by the world's poorest countries. Page 2

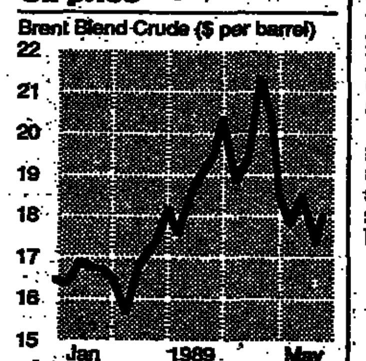
BSB, British Satellite Broadcasting, satellite TV consortium, is to delay its launch because of technical difficulties. Page 12

PHILIPS, Dutch electronics manufacturing giant, plans to expand its car stereo operations in the Far East by joining Namsung of South Korea. Page 8

LONRHO, international conglomerate, won the first stage in its defence against accusations of contempt of Britain's House of Lords. Page 12

OIL: Spot market oil prices rose again again in response to news of a fall in US stocks and fresh refinery demand in Europe. The June delivery price for Brent blend crude closed 50 cents higher at $18.22½ a barrel.

Oil price



SCHRODERS, UK merchant banking group, has been appointed to advise on the sale of 51 per cent stake in Banco di Santo Spirito, Italian commercial bank. Page 27

DAF, Dutch commercial vehicle maker which is 40 per cent owned by British Aerospace through its Rover group subsidiary, is to be floated on the Amsterdam and London stock exchanges. Page 21

BRITISH AEROSPACE, UK aircraft manufacturer, launched a $202m project for its first new commercial aircraft for four years. Page 12

RTZ Corporation, the world's largest mining company, announced a one-for-seven rights issue of shares, raising $758m. Page 21

PT NUSANTARA (IPTN), Indonesia's state owned aircraft company, signed an airworthiness agreement to clear the way for US sales of its aircraft. Page 8

XEROX CORPORATION, US computer company, intends to seek licensing agreements with other makers covering its original graphical interface technology. Page 22

NEW STRAITS Times Press, Malaysia's biggest largest media group, reported a 42 per cent drop in group operating profits to $2.3m. Page 26

NEC, Japanese electronics giant, has made an aggressive effort to break into the $2bn US home video game market. Page 22

ALAN BOND, the Australian entrepreneur who is restructuring the Bond Corporation, is negotiating further asset sales and other transactions designed to counter the financial pressures on his empire. Page 26

PERKINS FOODS, UK food manufacturing group, bought two Dutch companies, Champignons and the Van der Made. Page 32

UK raises interest rates to 14% in bid to stem pound slide

By Simon Holberton and Philip Stephens in London

THE British Government acted yesterday to try to forestall a slump in the value of the pound by raising interest rates to 14 per cent, their highest level since January 1985.

Mr Nigel Lawson, the Chancellor, said the decision to raise rates by one percentage point underlined the Government's determination to take no risks with inflation.

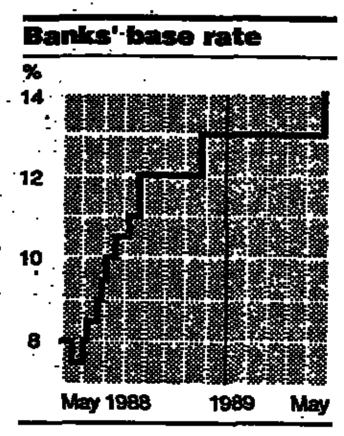
He said in a radio broadcast that he saw no reason to say that interest rates would need to rise again but added: "I shall do whatever is necessary at the time."

The rise in borrowing costs – which seems unlikely to affect home loan rates for the present – prompted a barrage of attacks on the Government's economic strategy from the opposition Labour Party which sees in the Government's economic problems an opportunity to consolidate its recent political revival.

The rise in UK interest rates comes against a background of uncertainty abroad over the future course of rates in Europe and Japan in the light of the current extreme dollar strength.

The pound, having lost ground for weeks against a strong dollar, has fallen sharply against the D-Mark since last Friday, after the rift between the Mrs Margaret Thatcher, the Prime Minister, and the Chancellor over exchange rate policy appeared to reopen.

Banks' base rate



Selling continued unabated on foreign exchange markets yesterday morning before rates were raised, immediately pushing sterling up by a pfennig against the D-Mark.

Indicative of the selling pressure was the Bank of England's decision to signal higher rates more than two hours earlier than it would normally act. It also followed up the rise in rates with two rounds of intervention to support sterling.

Leading clearing banks responded promptly to the Bank's signal and raised their base lending rates from 13 to 14 per cent. Leading building societies said they were unlikely, however, to follow the banks' move immediately with an increase in their mortgage lending rates.

Restraint on the part of societies appears to be the wish of the Government, which believes there is no case at present for the societies to raise their rates. Government officials said that loan demand has fallen and deposits are buoyant.

The pound closed in London ¾ of a pfennig higher against the D-Mark at DM3.1550 and sightly up against the dollar at $1.5685. The FT-SE 100-Share Index closed 18.9 lower at 2,132.7.

Analysts said they were unsure whether the rise in interest rates would be enough to preserve sterling's value. They said much depended on today's trade figures for April.

If the current account deficit was much worse than the market expectation of £1.75bn ($2.74bn), sterling could face renewed selling pressure, they said.

The Chancellor's decision to

Continued on Page 20

Editorial comment, Page 18; Background ,PAge 18; UK Government Bonds, Page 28; London Stock Exchange, Page 44

Rush of corporate bids increases pressure in City

By Clive Wolman, in London

AN unco-ordinated rush of corporate announcements involving four separate capital raising exercises and bids in London yesterday led to intense pressure – and confusion – among City investment managers and stockbroking salesmen.

The clash of announcements, which also contributed to a general fall in the stock market, led to calls for a restoration of the Bank of England's queue. The queue, which was set up to avoid a bunching of equity and bond issues, was abolished in March's Budget.

The surprise announcement of a rise in interest rates in response to mounting pressure on the pound frayed tempers and nerves in City dealing rooms.

Mr Peter Scott, of Gartmore Investment Management, said: "There were so many things happening that a lot of fund managers did not have time to pay attention to what the market was doing."

The four announcements were:

- RTZ, the mining company, announced a $758m rights issue of shares.
- Carlton Communications, the television facilities company, announced a $800m bid for UEI, a text and graphics company.
- Hillsdown Holdings, the food, furniture and property group, made an agreed $304m bid for Premier Brands.
- Anglo-United, a small fuel distribution and mining company, a launched a $666m takeover bid for Coalite, a much larger fuel company.

The Bank of England's queue was intended to avoid a simultaneous rush of capital-raising issues. But the Bank decided earlier this year to accept a more laisser-faire approach, in particular because of the ability of the Euromarkets to bypass its controls.

Background, Page 19

La Générale unveils offer to sell 11 per cent of capital

By Tim Dickson in Brussels

BELGIUM'S biggest ever offer for sale was publicly unveiled yesterday as the top management of Société Générale de Belgique launched a major campaign to sell the virtues of their company to international investors.

Almost exactly a year after the closing stages of the hectic takeover attempt by Italian businessman Mr Carlo De Benedetti, the Franco/Belgian shareholders who successfully fought off his determined assault announced that 11 per cent of La Générale's capital would be placed on the market in an operation planned for the end of next month (June 26 to 30).

It is intended that 75 per cent of the available shares – which will number 7m after a three-for-two stock split – will be sold on the Belgian market with the rest being distributed to international investors.

The price of the issue has yet to be decided – but if fixed around yesterday's market price of BFr4,790 it would fetch around BFr20bn-BFr25bn ($476m-$595m).

Yesterday's announcement brings to an end weeks of uncertainty in Brussels, compounded by recent speculation that the spurt of issues on the Belgian market in recent weeks could upset the giant holding company's timing.

It has long been known, however, that La Générale's "white knight," the French investment bank Compagnie Financière de Suez and its Belgian allies led by the insurance concern Groupe AG, have been anxious to sell a part of their big stake to recoup some of the costs of last year's battle.

Suez and its allies, who say they do not intend to reduce their stakes further, will still hold 66 per cent after the placing. Mr De Benedetti, who will actively take part in the forthcoming "roadshow" and who has promised not to go through the market if he eventually sells, will continue to hold a 15 per cent stake.

As Viscount Etienne Davignon, La Générale's ever ebullient chairman, and Mr Herve de Carmoy, the chirpy ex-Midland Bank director brought in as chief executive, both conceded yesterday, the main challenge for the group will be to convince the market that the medium term outlook is in line with the progression from BFr4bn of operating profits in 1987 to BFr10bn last year (notwithstanding net losses after restructuring costs) and a forecast operating result of BFr15bn this year.

At a press briefing in Brussels yesterday the two men and their finance director Mr Georges Ugeux painted a rosy picture of a company transformed by the events of the last 12 months, possessed of a coherent industrial strategy, in control of major operating subsidiaries like the cement company CBR and the zinc processing group Vieille Montagne.

Battle lines drawn as Li Peng gains military backing

By Peter Ellingsen in Peking and Steven Butler in London

THE political crisis in Peking intensified yesterday amid signs that Li Peng, China's embattled Prime Minister, was rallying military support behind him.

All China's seven military regions apart from Peking were reported by the official New China News Agency to support Li's decision to call troops into the capital.

The People's Daily yesterday carried front page messages of support for Li from party committees in the airforce, the navy, two provincial military districts and seven provincial party organisations, and the Liberation Army Daily exhorted the army to enforce the martial law decree.

Battles lines now seem firmly drawn in China's intensifying struggle for power between the reformers, headed by Zhao Ziyang, the communist party general secretary, and hardliners including Deng Xiaoping the country's paramount leader.

Wan Li, the elderly chairman of China's legislature, the National People's Congress, cut short his visit to the US and flew back to China to strengthen the reformist camp.

Wan, a close political ally of Zhao who opposes martial law, is expected to attempt to call an emergency meeting of the congress which could nullify the martial law decree and oust the Prime Minister, although there were fears in Peking that Wan might face arrest on return.

Support for Zhao was also reported coming from Hu Qili, a member of the ruling Politburo. Hu is responsible for the state-run media. This would account for reports in the official media that contain criticism of Prime Minister Li.

It is five days since Li made his declaration of martial law, but students and their supporters still controlled the city, while troops continued to pull back from the outskirts. Peking was quiet during the day as public transport returned to normal and diminishing food and other supplies were replenished.

Late at night crowds again prowled the streets, shouting anti-Li Peng slogans and gathering on crossroads in case

Continued on Page 20

Background, Page 6; "We are waiting," Page 19

Bush welcomes Soviet plans for arms cuts

By Lionel Barber in Washington

PRESIDENT George Bush yesterday welcomed Soviet proposals for cutting tanks, artillery and troops and said the conventional arms talks in Vienna offered the opportunity to transform the military landscape in Europe.

Mr Bush, striking a more positive tone towards Mr Gorbachev's arms control proposals, said the Soviets were forthcoming in meeting Nato demands for the Warsaw Pact to reduce its huge superiority in conventional arms.

He called on the Soviet Union to match the US in publishing annual defence budgets and to fulfil promises to abandon its age-old reliance on an offensive military strategy.

The speech to the US Coast Guard Academy was the last of a series of foreign policy addresses before next week's Nato summit in Brussels.

Mr Bush, with one eye on public opinion in Europe, seemed anxious to counter criticism that he has been too cautious in embracing change in the Soviet Union.

Mr Bush said he supported President Gorbachev's pledge to cut its forces unilaterally in Eastern Europe, outlined last year in New York. "If implemented, these steps will help reduce the threat of a surprise attack,"

White House spokesman Mr Marlin Fitzwater told reporters that the Soviet proposals in Vienna were "serious and meaningful."

They would impose ceilings on Soviet forces in East European countries, and would mean that no country – including the Soviet Union and the US – would be allowed to have more than 35-40 per cent of the combined manpower totals of the Warsaw Pact and Nato, US officials said.

The twin moves meet long-standing US demands aimed at reducing Soviet conventional superiority, but Mr Fitzwater noted that they were a response to a Nato proposal on March 9 which suggested an even lower level of 30 per cent.

In his speech, Mr Bush said that he intended to deploy the multi-warhead MX missile and the mobile single warhead Midgetman, even though this compromise has run into opposition in Congress.

He also said that the US was "committed, when ready" to deploy a comprehensive defensive system against ballistic missiles – the Strategic Defence Inititiative.

Bush: striking a more positive tone towards Gorbachev

Despite Soviet opposition to SDI, Mr Bush said: "Our premise is straightforward. Defence against incoming missiles endangers no person, endangers no country."

- Mr Richard von Weizsäcker, the West German President, yesterday called on the West to help advance the "breathtaking" reforms in the Soviet Union and warned that the new chance of an "ordered peace" in Europe might not be repeated, writes David Marsh in Paris.

In an implicit reference to the dispute within Nato over short-range nuclear weapons, Mr Weizsäcker sternly warned other countries – although he did not mention the US and Britain by name – against suspecting Bonn of "Nato disloyalty."

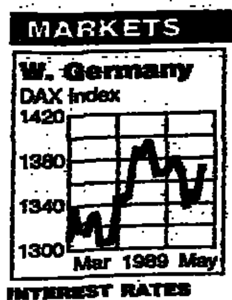
Delivering a wide-ranging and dignified speech commemorating the 40th anniversary of the West German constitution, Mr Weizsäcker put into perspective the light and the shadow of the Federal Republic's achievements.

Although praising West Germany for managing its democracy with "sense for moderation and the middle-ground," the president criticised the parties for usurping undue political power.

Mr Weizsäcker was addressing a packed audience of the country's political establishment.

MARKETS

W. Germany



INTEREST RATES
US lunchtime
Federal Funds 9¾% (9 11/16)
3-mth Treasury Bills: yield: 8.649% (8.54)
Long Bond: 102½ (102 23/32)
yield: 8.632% (8.61)
London
3-month interbank: close 13⅞% (13 5/16)

STERLING
New York closing
$1.5690 (1.5640)
London:
$1.5685 (1.5875)
DM3.1550 (3.1475)
FFr10.6925 (10.6800)
SFr2.8025 (same)
Y224.0 (222.50)

DOLLAR
New York closing
DM2.01230 (2.0114)
FFr6.8190 (6.8125)
SFr1.7855 (1.7905)
Y142.795 (142.335)
London:
DM2.0125 (2.0085)
FFr6.8175 (6.8000)
SFr1.7860 (1.7875)
Y142.85 (141.95)

GOLD
New York latest
Comex June
$365.1 (364.3)

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,483.87 (+5.86)
S&P Comp
317.71 (-0.61)
London:
FT-SE 100
2,132.7 (-18.9)
World:
141.5 (Tues)
Tokyo
Nikkei Ave
33,851.82 (+35.21)
Frankfurt
Commerzbank
1,703.3 (+22)

OIL
Brent 15-day (Argus)
$18.225 (-0.5) (June)
West Tex Crude
$19.865 (+0.56) (July)

CONTENTS

Cleaning out the mafia's money laundry

Mr Carlo Azeglio Ciampi, governor of the Bank of Italy, is seizing every opportunity to warn of the dangers of Mafia infiltration and the need to organise EC-wide banking procedures against an inte rnational problem.

Page 3

EUROPEAN NEWS

UK takes hard line in spy row with Moscow

By Robert Mauthner in London and Edward Mortimer in Moscow

BRITAIN made it clear yesterday that it would not bow to what it considers unacceptable Soviet demands for a reduction in the number of British nationals and Soviet staff of British organisations in Moscow and hinted that it would retaliate if the Soviet Union stuck to its guns.

Officials said "the ball was now in the Soviet court," after a British Embassy official in Moscow had informed the Soviet Foreign Ministry that the figures given by the Soviets of the number of people employed by British and Soviet organisations in each other's capitals were incorrect.

The two countries have been involved in a tit-for-tat dispute over intelligence gathering activities in which the Soviet Union retaliated against Britain's expulsion of 11 Soviet diplomats and journalists with an identical measure.

The Soviet Union subsequently informed Britain that the number of Britons and Soviet citizens employed in Moscow should be cut from 374 to 205, the same level as the British ceiling for Soviet official representatives in London.

Britain, however, said that Soviet organisations in London employed some 400 British nationals in addition to 205 Soviet citizens. The Soviets were therefore not comparing like with like.

"It's not our problem at all. We suggest abolishing the quotas." Such was the reply tirelessly repeated yesterday by Mr Gennadi Gerasimov, the Soviet Foreign Ministry spokesman, to a barrage of questions about the quota to be imposed on employees of British institutions in Moscow.

"The quota of 205 was invented by the British," Mr Gerasimov insisted. He agreed this quota was applied by the UK only to Soviet nationals, but claimed the new Soviet quota was none the less strictly reciprocal, because instead of employing UK support staff the Soviet government employed Soviet citizens in London "and we pay them according to Soviet standards" – in practice, below the London market rate.

Deutsche Bank acquisitions predicted in UK and France

By Peter Norman in St Gallen, Switzerland

DEUTSCHE BANK AG is on the lookout for acquisitions in Britain and France, Mr Alfred Herrhausen, chief executive, said yesterday.

He told the International Management Symposium at the University of St Gallen that the bank was respresented only in London and Paris and Manchester and Strasbourg.

This was insufficient if the bank wanted to satisfy its goal of being a truly European bank.

Mr Herrhausen said the bank's plan to build up a European banking network offering retail banking services was an ambitious project. But it was not Deutsche Bank's goal to match the market shares of the leading banks in Britain and France.

He stressed that Deutsche Bank's European plans were not motivated by prestige. Profitability would remain the key determinant for all concrete decisions, he added.

Deutsche Bank began its expansion in Europe with the purchase of Banca d'America e d'Italia, which controls a network of 100 branches in Italy. It recently acquired a majority stake in Banco Comercial Transatlantico with 104 branches in Spain.

Arid sands close in on an embattled Ozal

Jim Bodgener, in Ankara, looks at Turkey's prospects of finding industrial peace

Turkey's Prime Minister, Mr Turgut Ozal, is still putting on a brave face two months after the disastrous showing of his ruling Motherland Party in the March local elections.

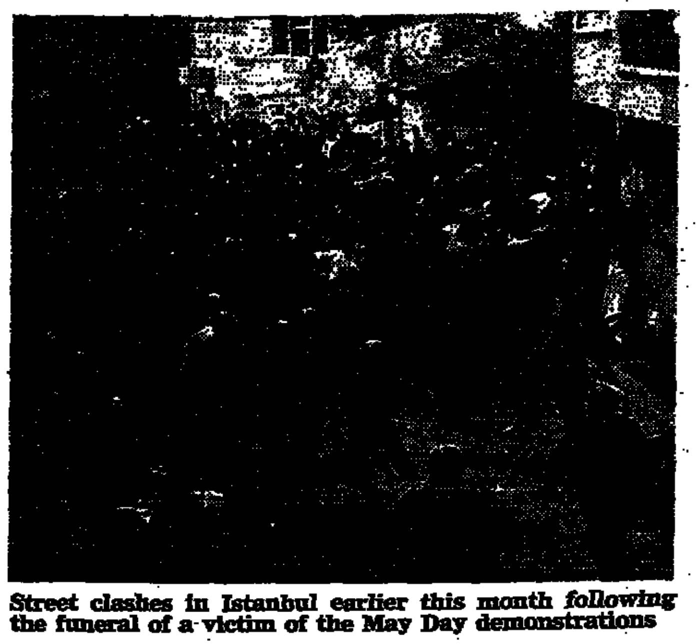
An ambitious Sixth Five Year Development Plan was introduced on May 10 – and the following week, the premier attempted to appease militant public sector trade unions in personally conducted negotiations.

The moderate old-guard leadership of the main trades union confederation Turk-Is has accepted an across the board biannual offer of 142 per cent this year and 37.5 per cent the next, which back-pedalled substantially on Mr Ozal's previous determination to stick to around 120 per cent.

However, there is still considerable dissatisfaction with even this among the 600,000 public sector workers whose biannual contracts come up for renewal this year – and around 24,000 steelworkers in a union unaffiliated with Turk-Is are still on strike.

Hard at the heels of the government and the Turk-Is leadership is shop floor militancy, sharpened by bloody May Day clashes with security forces during illegal demonstrations in Istanbul.

More equitable income distribution through industrialisation is the plan's aim, together with increasing social welfare. Free market principles will continue, while the private sector will be encouraged further, and overheated infrastructural spending will be curbed.



Street clashes in Istanbul earlier this month following the funeral of a victim of the May Day demonstrations

A rapid development strategy – economic growth of 8.3 per cent and 10 per cent inflation by 1994 – will be achieved by a "harmonised domestic and foreign increase in demand."

World Bank president Mr Barber Conable, on a visit to Ankara last week, commented that he found the target a little ambitious and that it was important such a goal did not contribute to instability.

But he recognised Ozal had legitimate concerns about unemployment and the need for the economy to provide more resources for the people.

Yet the plan masks divisions in government which follow the local election defeat for the ruling Motherland Party (ANAP). Although there is general agreement that inflation is the number one enemy.

An original version of the plan by the State Planning Organisation (SPO) painted a bleaker picture of the economy's performance in recent years. It had picked on a more unequal distribution of income, plus a decline in low income groups' real earnings.

The ignominy of the local election defeat has widened internal rifts within ANAP, particularly between the liberals and Islamic fundamentalists in an amorphous "holy alliance" with right wing nationalists.

It controls the party's grass roots caucuses, and has the sympathy of roughly a quarter of ANAP's 289-seat majority in the 450-member parliament. The leader of the alliance's fundamentalist wing, Mr Mehmet Kececiler, now openly opposes Mr Ozal within ANAP's parliamentary group.

If Mr Ozal were not successful, he would have to step down, Mr Kececiler told the FT in a recent interview – and then ANAP might fuse in a general election with the other conservative parliamentary grouping, the True Path Party (DYP) led by former Premier Suleyman Demirel.

Unresolved for Mr Ozal too is the November parliamentary selection of a replacement for President Kenan Evren. Both the main opposition Social Democratic Populist Party (SHP) and the DYP demand early general elections beforehand, preferably in September.

They claim ANAP no longer has a sufficient popular mandate for its 289-seat majority in the 450-member parliament. But for the moment Mr Ozal has not budged – he may attempt to exclude the DYP by seeking a consensus choice of candidate with the SHP, which also needs time.

In the government's embattled economic and political predicament, the improving current account provides some comfort – the trend this year is towards another surplus, of upwards of \$500m.

But these hopes could run into the arid sands of a severe drought. Already about 10-15 per cent of the wheat crop, and about 50 per cent of the rice harvest has been lost, say officials.

Lower agricultural output might relieve the treasury of some lira cash payments to farmers, but will be expensive in foreign exchange. And the drought might also present Ozal with the Hobson's choice of either increasing the price of bread in urban areas – or alienating farmers hit by price stabilisation imports.

France to write off poor countries debt

By George Graham in Paris

PRESIDENT François Mitterrand yesterday announced that France planned to wipe out the public debt of the world's poorest countries.

Arriving at the summit meeting of French-speaking countries in Dakar, Senegal, Mr Mitterrand said France would write off the debts owed it by 35 of the poorest countries. The measure is expected to cancel some FFr16bn (\$2.34bn) of debt.

Industrial nations agreed at last year's Group of Seven summit meeting in Toronto on a package of measures aimed at helping the poorest nations, mostly in Africa, who have in many cases become totally incapable of repaying their debt under the burden of collapsing world prices for their exports, mostly agricultural crops.

Those measures, already applied to a number of countries, such as Mali, gave creditor nations a choice between cancelling a third of their public debt, cutting interest rates below market levels, or rescheduling repayments over periods as long as 25 years.

Many African leaders have complained that the measures were still insufficient, but countries such as the US have resisted calls for outright debt cancellations. Bankers, too, have feared that debt forgiveness could set a precedent for negotiations with middle-income debtor nations in Latin America.

Reuter adds from Dakar: Senegal's President Abdou Diouf, host of the three-day francophone summit, said that Mr Mitterrand's announcement was the event of the meeting. Canada announced a similar debt write-off in 1987 when it hosted a francophone summit.

Mr Mitterrand said he would announce a debt relief plan for less poor Third World countries at the G7 summit of industrialised countries in Paris in July. This would entail creation of a multilateral fund to allow for a debt-for-stock swap and guaranteed interest rates, he said.

France has already put forward proposals similar to those of Mr Nicholas Brady, the US Treasury Secretary, for dealing with the debt of middle-income countries.

Pollution conundrum for Brussels

By Tim Dickson in Brussels

THE European Commission is facing a delicate decision over how to deal with the Dutch Government's defiant attempts to encourage "cleaner" cars.

The issue has taken on a new significance in the wake of the British Government's U-turn on car emission standards, confirmed yesterday by Mr Nicholas Ridley, the UK Environment Secretary.

Under its new policy Britain has agreed to support the revised Brussels plan for a move to higher "US style" small car pollution norms by 1993 – but only on condition that interim national measures such as those being pursued from The Hague are clearly outlawed by the Community.

Largely as a result of firm pressure from the French Government, the Commission has begun legal proceedings against the Dutch on the grounds that their tax credit scheme directs consumers in favour of models fitted with catalytic converters, and thus hinders the free circulation of goods as enshrined in Article 30 of the Treaty of Rome.

Officials in Brussels, however, admit that this was a blatantly political device to reach a consensus among member states at an earlier stage in the debate, and Commission legal experts now openly doubt whether they have a strong enough case to convince the judges in the European Court.

Steelmakers aim to match Japanese

By Peter Norman

EUROPEAN steel producers will step up transnational investment in a bid to match Japanese standards of steel production, Sir Robert Scholey, chairman of British Steel PLC, predicted yesterday.

He told the International Management Symposium at Gallen University that the restructuring of the European steel industry had been too slow and would have to continue.

There was still an excess of steelmaking and finishing capacity in relation to normal demand levels, he said. And he pointed to a substantial tonnage of capacity that was obsolescent and would not be competitive.

Transnational investment would be needed to avoid overcapacity in the future and a Japanese takeover of the industry.

Sir Robert noted that in the US, where companies had failed to invest in high quality production capacity, Japanese producers had already acquired two US steel firms.

He warned that most analysts did not expect a significant growth in demand for the European Community's steel in the medium term. And this was despite hopes that the range of applications for steel would widen.

Correction

Polish cities

In the Financial Times 6-page survey on Poland, which appears today, the map identifies two cities that are incorrectly spelt. The city of Bydgosz is identified in error as Bromberg, and the city of Kolobrzeg shown wrongly as Kolberg.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates \$365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

Nuclear weapons escape cuts in French defence

By Ian Davidson in Paris

A NUMBER of major French conventional weapons programmes will be stretched over time or scaled down in numbers, as a result of the slowdown in planned defence equipment expenditure announced yesterday by the Presidency.

In addition, the budgetary savings will probably be reflected in a shrinking of the size of France's conventional forces, senior officials indicated. As President Francois Mitterrand said last Thursday, the total volume of defence equipment spending, which was to have been around FFr470bn (£43.7bn) over the next four years in line with the 1987 medium term defence plan, will now be reduced by some FFr42bn.

None of France's nuclear weapons programmes will be affected by the budget cutbacks. The first of the new-generation nuclear missile submarines will still come into service in 1994 as previously scheduled, while the Hades sub-strategic mobile missile will come into service in 1992.

At the height of the internal government debates over the budget cut-backs, there had been some question whether the *total* Hades order would remain 120 missiles or be cut to 95, though in public the government has never been committed to an official number. The detailed repercussions of the budget cut-back on the conventional weapons programmes have not been announced, however, because they have still to be decided by the government.

Highly-placed officials suggest, however, that the Defence Ministry is bound to consider some of the following options: the new Le Clerc battle tank project may be scaled down from the original plan for 1,400 tanks, perhaps to not much more than 1,000; the Charles de Gaulle nuclear-powered aircraft carrier may be delayed by a couple of years for a new in-service date of 1998; the programmes for three new attack submarines may be delayed by 18 months; and the Rafale advanced-technology fighter may be delayed a year beyond its previous in-service date of 1996. Despite the cut-backs, the defence equipment budget will still grow rather fast over the next few years. The 1987 Loi De Programmation Militaire had effectively scheduled a real growth rate of 6 per cent a year.

Under the new decisions, the real rate of increase will be reduced to under 3 per cent next year with a defence equipment budget of FFr103 bn, but thereafter the growth rate will return to nearly 4 per cent in 1991 with spending of FFr107 bn.

During the following two years, more tentatively, the Presidency forecasts a real annual growth rate of 4 per cent. In parallel with the slowdown in the growth of defence equipment spending, senior officials predict a freeze in defence running costs.

This will call for an improvement in the level of "human productivity", according to the official euphemism, which implies a shrinkage in the numbers of troops. As it is, equipment already accounts for something over 50 per cent of the total defence budget; the nuclear forces account for a third of the equipment budget and around 22 per cent of the total defence budget.

Occhetto refuses to name a date

WHEN Mr Achille Occhetto ordered an American coffee yesterday more than one wag was ready to observe that perhaps Italy's Communist leader had succumbed to the fatal attractions of capitalism during his visit last week to the US, writes our Rome Correspondent. But such suspicions are out of date now that the modern Italian Communist Party (PCI) has embraced the market, the western alliance and European social democratic values.

As the first leader of his party ever to visit the US in an official capacity, Mr Occhetto did, however, encounter a fair amount of perplexity among Congressional leaders. Why did not this political sheep abandon its wolf's name? he was asked.

He had tried to explain in the US "the name does not identify us with the East bloc nor associate us with any model of real Communism."

The opportunity for a name change, he suggested, arises with the prospect of creating a united political force on the left in Italy - a statement which suggests he is prepared to bargain away the party's name in any distant negotiations with his arch rival for left leadership, Mr Bettino Craxi, secretary of the Italian Socialist Party.

Cleaning out the mafia's money laundry

John Wyles on Italian moves to curb the mafia's freedom to recycle its drug revenue

ORGANISED crime has been making fabulous profits out of drug trafficking for nearly 20 years, yet until recently the contemptuous ease with which the mafia and other organisations have been able to recycle their torrent of earnings has received little attention.

Indeed, many still do not accept that the phenomenon may be as socially dangerous as the products which created it. These doubts are less strong in Italy which, as the birthplace of the mafia, has long experience of the polluting effects of organised crime on the legitimate economy.

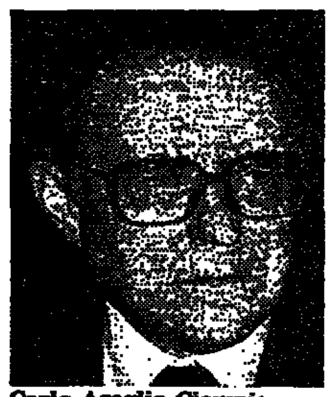
Here, there is an understanding that the financial and political power of billions of dollars of annual drug profits is a serious threat for the safety of the national and international banking systems.

Mr Carlo Azeglio Ciampi, the much-respected governor of the Bank of Italy, is now seizing every opportunity to warn of the dangers of mafia infiltration, not only of financially shaky banks in the south of Italy, and also of the need to organise EC-wide banking procedures against an essentially international problem. But there is a feeling in Rome that not everyone in Europe is listening. In Brussels, for example, the European Commission has not yet noticed that the lifting of restrictions on the free movement of capital between eight EC countries from July next year may make the task of recycling dirty money easier.

Ciampi told the Italian Parliament anti-mafia committee that profits from drug trafficking are so huge – some estimates run to \$500bn (£320bn) a year worldwide – that organised crime is compromising "the stability and development of entire regions and of states."

Outside Italy, four financially significant countries are beginning to face up to the banking aspects of the problem of recycling: the US and Canada, the UK and, most recently Switzerland. All have passed, or are preparing, legislation which punishes those who knowingly participate in the conversion and transfer of illegal profits, or who hide the origin or ownership of illicit funds. These countries are also seeking laws to identify authors of large transactions through the banking system, to enable investigators to trace the flow of illegal funds.

Others seem less inclined to take measures. France, Germany and Japan still lack such legislation, although they have endorsed the "Declaration of Basle" of last December. This was framed by banking officials from 12 countries and urged banks to co-operate with investigations into recycling as far as national secrecy laws allow, to refuse assistance to clients seeking to withhold information or to mislead the authorities, and to refuse services and close accounts where there are "reasonable" grounds for believing that funds derive from a criminal activity.



Carlo Azeglio Ciampi: giving mafia warnings

Encouraged by its central bank, the Italian Bankers' Association has followed up the Basle Declaration with a set of detailed guidelines designed to identify the authors of cash transactions above L10m (£4,340). This initiative followed swiftly on a sequence of clamorous declarations which appeared unco-ordinated but which combined to raise public awareness.

First came Governor Ciampi's warnings to the anti-mafia committee, then a report to the same committee from Sisde, a branch of the Italian secret service, which pointed to mafia penetration of small and medium sized businesses, and within days another report from the tax and customs police, the *Guardia di Finanza*, warning of the threat posed by mafia funds to the banking system, the stock exchange and other economic activities.

Most mafia experts say that these reports add little to the sum of human knowledge: it is known that the mafia exploits weak banks in Calabria, Campania and Sicily for recycling and other purposes, that the mafia creates fictitious exports of citrus or gold products against which to import its laundered money and that casinos around the world play an important recycling role.

The Abi initiative has no backing in law and its effectiveness will depend on the highly uneven quality of management in the Italian banking system. The Bank of Italy wants this sector to be legally regulated by a law which should also declare recycling to be a general crime – at the moment the prohibition is specifically linked to proceeds from extortion and kidnapping.

There is also the perennial problem in Italy of poor understanding and co-ordination between the authorities.

Banking is not covered by a secrecy law when it comes to investigations by the *Guardia di Finanza* or the *magistratura* which has powers to sequester assets deriving from mafia activities. But it is not certain that either really knows what it is looking for when it tries to examine flows of funds.

Finally, there is the question of mafia investment and its impact. Pino Arlacchi, one of Italy's leading experts on the problem has written that mafia investment in the legitimate economy drives non-mafia firms out of business. In spite of having uncovered several cases of mafia exploitation of banks in the last three years, the Bank of Italy is convinced that the only example of a bank falling under the effective control of organised crime was the Banco Ambrosiano.

The central bank is now anxious for parliament to complete work on an anti-trust law which would put a 20 per cent ceiling on the ownership of banking equity by non-banking interests.

Unfortunately, the legislative process is now blocked by the latest political crisis, unlike drug funds which continue to flow strongly through the arteries of the national and international financial system.

French housing law aims to slow Paris rent rises

By Our Correspondent in Paris

FRANCE'S socialist government has introduced a housing law designed to slow down the recent sharp increases in the rents of flats in Paris.

Adopted in first reading by the National Assembly this week, it is a partial reversal of the liberalising housing law passed by the previous Gaullist government of Mr Jacques Chirac. It is intended to make it more difficult for landlords to evict tenants, will limit annual rent increases to the rate of inflation (in place of the more-rapidly rising index of building costs), and will in principle restrict the rents of new leases to levels currently practiced in the same neighbourhood.

In addition the law has been stiffened by a last-minute amendment introduced by Socialist members of the National Assembly, which will give the government the power to fix by decree the movement of rents in areas where the situation is "abnormal" (i.e. in Paris).

Last year average rents in France rose by 6.5 per cent, with faster increases in a number of major urban centres; the increase was steepest in Paris, where average rents rose by 8.7 per cent.

The new law may enhance the protection available to people who already live inside the Paris city limits; but it seems unlikely to put any significant brake on the rapid increase in the value of residential property, nor to prevent, in the long run, rents reflecting supply and demand.

Over the past five years, according to the latest figures published by the National Statistical Institute, the average price of a flat in Paris has doubled in nominal terms, or by over 60 per cent in constant francs.

Last year the rate of increase in the price of flats accelerated, to over 25 per cent compared with 1987, the sharpest increase since 1980. The most expensive district is the XVI Arrondissement, in the West between the Seine and the Bois de Boulogne, where the average flat sells for FFr26,000 per square metre.

One consequence of the pressure of demand for flats in Paris is that old apartments increasingly get broken up into smaller and smaller units. The property pages of the newspapers show that the vast majority of apartments on offer are either studios or one-bedroom flats, whereas family flats are comparatively hard to come by.

Given the rate of increase in property prices, it is not entirely surprising that around 120,000 flats, or about one tenth of all flats in Paris are vacant, according to a recent estimate.

E Germany may ban travel to Hungary

By Leslie Colitt

FEARS are mounting that East Germans may soon be barred from travelling to Hungary as a result of its recent removal of border fences to Austria.

Hungary is East German's most popular holiday destination and nearly 1.6m visited last year. West German officials said this week that a growing number of East Germans tried to escape through Hungary in recent weeks but were caught near the border.

Four kilometres of fence on the Hungarian border to Austria were torn down earlier this month. The entire 120 kilometres of border fence is to be removed by 1991. The fence is no longer needed because Hungarian citizens are allowed to travel freely to the West.

West German officials have tried to discourage potential East German escapers in recent interviews. But it was feared that many more East Germans may try to escape during the summer holidays.

This could force the East German authorities to halt travel to Hungary which would be highly unpopular as travel even within Eastern Europe is restricted. Most East Germans are not allowed to travel to Poland and travel to Czechoslovakia is made difficult because of the very small amount of Czechoslovak currency East Germans can buy.

Walesa steps into row over students group

By Christopher Bobinski in Warsaw

MR LECH WALESA, the Solidarity leader, yesterday reaffirmed demands for the legalisation of NZS, Poland's independent students' association, as protests continued at several universities over a court's refusal on Tuesday to legalize the group.

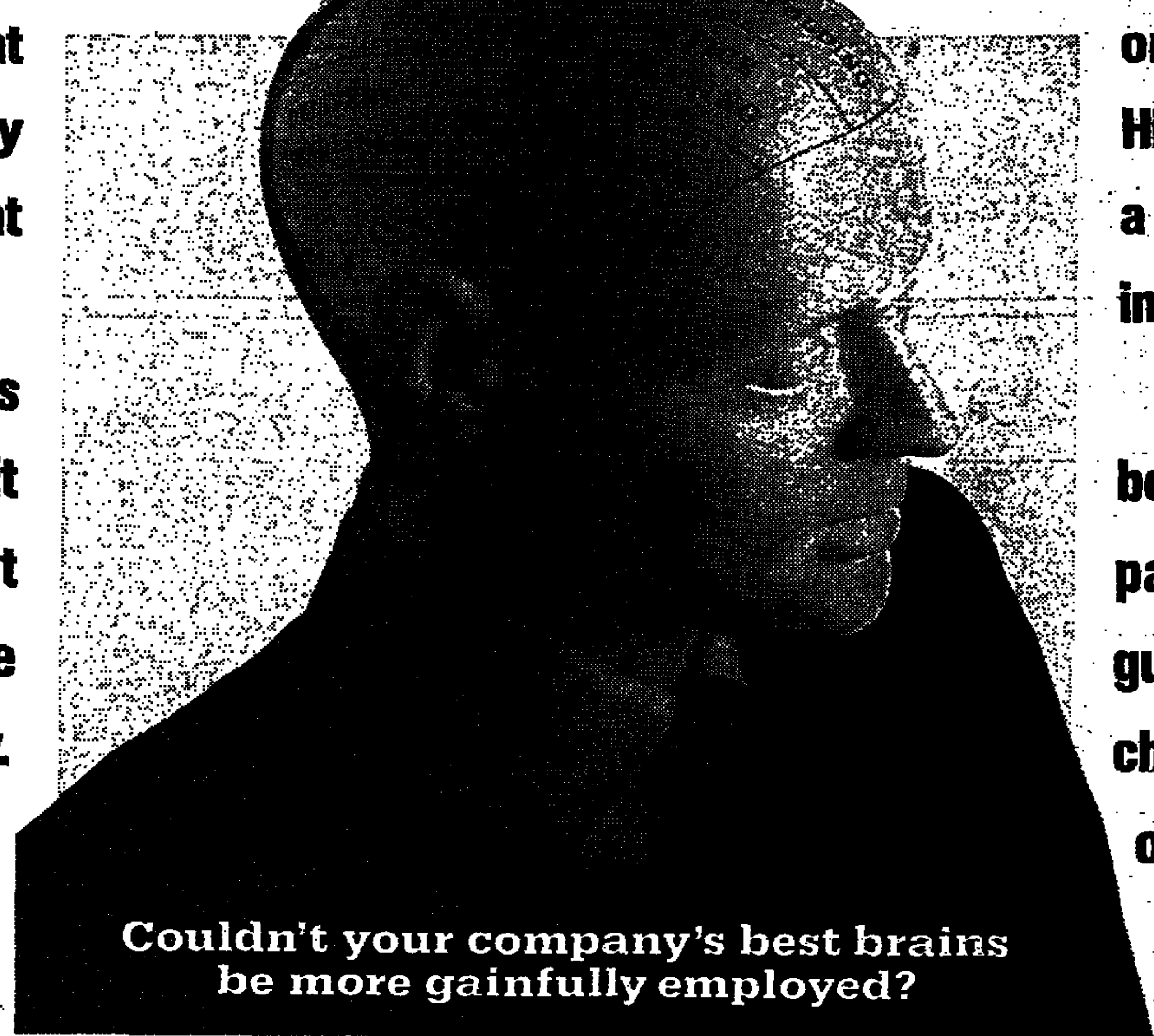
The authorities are insisting NZS drops the right to strike from its statute and replaces it with the right to protest before the 30,000-member association can be registered.

Meanwhile, Polish television has censored a Solidarity programme in a sign of growing official nervousness about the outcome of national elections on June 4, when official polls suggest that voter turnout will be high and support for official candidates low.

The authorities have said the programme – a 45-minute broadcast by Solidarity on legal issues - would not promote harmonious co-operation between the authorities and the opposition. Solidarity yesterday tended to downplay the issue.

This week Mr Stanislaw Kwiatkoski, the head of the government's opinion poll unit, said that 84 per cent of the electorate intend to vote on June 4 and that a mere 12 per cent would be supporting official candidates.

The best way to expand is to contract.



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Tokyo company investigated over illicit exports

By Stefan Wagstyl in Tokyo

JAPANESE police are investigating allegations that a Tokyo company bought from the US a special material used in nuclear reactors and illegally re-exported it to East Germany.

Police believe the company supplied the material for about 10 years in violation of rules set by Cocom, the international body which prohibits the export to Communist countries of goods with potential military uses.

Prometron Technics, the private company under investigation, allegedly supplied hafnium, a metal which is used in the control rods of small nuclear reactors fitted in submarines and warships. Cheaper alternatives are usually used in larger commercial reactors.

The disclosure could damage Japan's relations with the US at a time when disputes over trade are worsening. The last time a Japanese company was found to have broken Cocom rules a furious row broke out between the two countries leading to the imposition by the US of economic sanctions on Japan. That case in 1987 involved the shipment by Toshiba Machine, a subsidiary of Toshiba, of machine tools for making submarine equipment to the Soviet Union.

Mr Hirokuni Matsuda, Prometron president, has admitted selling hafnium to East Germany but denied that the exports broke Cocom rules or that the material could be used in reactors in the form in which it was supplied.

However, the company did not declare the exports to the Japanese authorities. Employees carried the material to East Germany in hand baggage. The sales began 10 years ago when Prometron signed a contract with the state-run Electronics Export and Import Corporation of East Germany.

Founded in 1973, Prometron is a maker and distributor of steel plate cutters and electronics components and has sales offices in the US and Singapore as well as East Germany.

The Ministry of International Trade and Industry said last night that it intended to charge Prometron with violations of Japanese customs and foreign exchange law, if the police investigation yielded sufficient evidence.

Indian missile test raises fears of arms proliferation

The rocketing spread of missile technology is worrying the West, reports **David White**

THE TEST FIRING earlier this week of an Indian missile with a reported potential range of 2,500km highlights an area of arms proliferation of growing concern to Western governments. The spread of ballistic missile programmes in the last two years is a main focus of the latest Strategic Survey published by the London-based International Institute for Strategic Studies.

More than 20 developing countries have missile programmes and more than a dozen possess operational ballistic missiles, the report says.

Some of the weapons have longer ranges than some of those being removed from Europe and destroyed under the US-Soviet Intermediate Nuclear Forces (INF) treaty.

The IISS calls for co-ordinated action by the US and the Soviet Union to stop the spread. Although it says neither is directly threatened, it warns of the risk of local flare-ups. "Both missiles and chemical arms are rapidly proliferating in areas where animosities are high and relations are tense," it says.

Israel, with possible chemical and nuclear arms capabilities, could reach Soviet Black Sea bases with its Jericho II missile, said to have a range of up to 1,450km, it says. Arab states, although not thought to be nuclear-capable, have been buying missiles and chemical weapons at an increasing rate.

The report also cites Saudi Arabia's purchase of Chinese 2,200km CSS-2 missiles, which could reach Israel or the Soviet Union, and Egypt's co-operation with Argentina, with Iraqi backing, in developing the 800km Condor II. This could reach the Falklands from the Argentine mainland.

It also quotes reports that Libya has been seeking 950km-range missiles from Brazil.

India, with its new Agni missile, and Pakistan, which has tested a 300km weapon, could conceivably use these missiles to deliver nuclear warheads, the IISS warns.

Longer-range missiles like the Agni "are difficult to justify unless they carry nuclear weapons," it says, pointing out that the established nuclear powers have never deployed such missiles with conventional warheads.

Except for China, no Third World country is thought capable of making intercontinental weapons before the end of the century, but space launch vehicles being developed in Brazil, India, Israel and Argentina could lead to long-range missiles in the future.

Meanwhile, the effectiveness of short-range missiles can be increased with new non-nuclear warheads – cluster bombs or "fuel/air" explosives (spread in a cloud and then detonated) – or chemical munitions. Missiles of under 500km, considered short-range by Nato, "may be able to reach strategic targets in several regional situations," the report cautions.

An informal undertaking by six Western countries and Japan to restrict technology exports that could assist missile or space launch vehicle programmes, the Missile Technology Control Regime, has failed to attract support from other nations.

Both the Soviet Union and China have meanwhile continued their missile exports, the Soviet Union more selectively and the Chinese "virtually without consideration of political or security implications," the report says. It describes China as "something of a rogue elephant in the arms trade."

On East-West relations, the institute repeats its earlier, but apparently fruitless, calls for "new and imaginative" Western thinking. While the world appears to to be "a safer, saner place than it has been for many decades", it is coming under different strains, it says.

The report says Nato may continue to have an important part to play "provided that [its] role can be redefined to fit a changing world and is seen as contributing positively to the change."

China's people rediscover their moralistic roots

The students have won support because they hark back to good old-fashioned values, says **Steven Butler**

IDEALISM has suddenly wormed its way out of the woodwork in China after a decade in which it was beaten back at every appearance. One of the more distressing results of China's economic reforms, in spite of their obvious benefits, was the deterioration of revolutionary morality of the sort that inspired Shirley MacLaine to take up dancing again and write a book called You Can Get There from Here.

Never mind that the economy wasn't going anywhere, and that there was plenty of cynicism and lying behind the smiles. It was nice to think of the Chinese as a people with a purpose, willing to make self-sacrifices, and honest as old Abe.

In the last decade corruption has grown rampantly at every level in the government and throughout the economy. Getting rich consisted of exploiting loopholes in a badly planned economy and having the right connections, as much as displaying enterprise. Students scorned their miserably paid teachers, and many dropped out to make a quick buck, because there seemed no reason to stay on just to be assigned at random a boring, lowly-paid state job.

One reason China's demonstrating students have stuck such a responsive chord among the population at large, some of whom have put their own lives at risk to protect students from troops, is that the students in many ways are not revolutionary. Rather they appear to be calling for a revival of good old-fashioned Chinese values.

This point can be carried too far, because the students are calling for democracy, something China has never known very well. But at the same time as they call for democracy, students say they have no intention of toppling the Communist Party or the government from power. They only want good, uncorrupted men in charge – not, obviously, Li Peng. They want more openness and accountability, more press freedom, and recognition that their independent student organisation is a patriotic group.

Demonstrators in Peking's Avenue of Eternal Peace with a banner calling for the resignation of Li Peng, the Prime Minister, and the retirement of Deng Xiaoping, the supreme Chinese leader. It gave support for Wan Li, People's Congress chairman and Zhao Ziyang, the party chief.

This at heart is an ancient, Chinese Confucian idea. Nations should be ruled by virtuous men who have the best interests of all their people at heart. A Western-style competitive election process does not necessarily produce people at the top independent of sectoral interests. Underlying these political ideas is a concept of human nature which contrasts with the Western view, where man is assumed to be selfish and acting in self-interest. Chinese from Confucius to Mao have seen man as good or at least malleable, capable of being made good.

The students have also chosen a tactic bound to win sympathy – starving themselves in a demonstration of self-sacrifice. This is not a traditional tactic in China. But in a society that has recently known severe food shortages, that is almost absurdly preoccupied with the act of eating, and where a common friendly greeting is the question "Have you eaten yet?" fasting is an act of incomparable daring and unquestionable sincerity.

Having won over the public, however, the question remains as to what the students really want, and what they are likely to get. Chinese demands for democracy that go back to the beginning of the century have rarely envisioned, or considered attractive, Western pluralist democracy, in which a competitive process produces winners and losers, with some segments of society gaining influence at the expense of others. Rather, democracy was seen as a means to make governments responsive and to prevent corruption and abuse of power.

For the Communist Party, democracy was a Sinified version of Leninist democratic centralism, which meant in practice that party officials were to consult the people, not to become divorced from them and not to act in isolation. The problem is that it never worked, neither under Mao Zedong nor apparently under Deng Xiaoping. The system degenerated into abuse.

This was so obvious to most Chinese that the students have had little trouble selling their case. Whether by design or because of real conviction the students have managed to phrase their demands for change so modestly that even Zhao Ziyang, the party general secretary, was able to say that the party shared their goals. There is no practical alternative to party rule in the short run anyway, and what the students appear intent on is enlarging the political space of existing institutions: the press, the national people's congress, and their own student organisation. The idea, as expressed at least, is to allow more scope for independent monitoring and criticism of official action.

Even if the students manage to topple Li Peng and his martial law decree, the chances of getting the sort of freedoms they seek must be seen as slim. On the other hand, even if they lose the struggle against the prime minister, China's political landscape has changed irrevocably.

Students, by means of clever tactics, have for the first time since 1919 brought a Chinese government, and a powerful one at that, to crisis point. For years China's leadership has said it does not want to create another Poland in terms of the economy; even more frightening is the prospect of a Chinese rendition of Solidarity, the independent trade union.

The problem for the party, however, is that having been disgraced before an angry public once, re-establishing its prestige and credibility would prove extremely difficult without real concessions to popular demands. The alternative of attempting repression, which has failed so miserably in the last five days, looks even less likely to succeed over a long period than in Poland, where Solidarity was recently legalised as part of a package of sweeping democratic reforms.

Another possibility is that the Party's relationship with its newly awakened public will never be resolved in any satisfactory way, and that its authority would continued to be chipped away. This would continue a process that has already started over the past decade, as regional autonomy has taken hold in the wake of economic reform.

It could however make the party's policies of economic reform even more difficult to implement, since one of the principal requirements for further reform is the creation of effective national institutions that go along with market economies: banks, commercial courts, property laws, and capital markets.

Shanghai support grows

By John Elliott in Shanghai

DEMONSTRATIONS in support of the Peking students continued to build up in Shanghai yesterday, although the risk of serious strikes which could have an impact on China's economy have receded for the time being after a meeting of the city's main trade union federation.

Some estimates put the number of students and workers staging marches and demonstrations at 500,000 in the past two days, with no sign of any army presence or intervention.

Rumours circulating during the past three days that a general strike was being organised have proved to be unfounded. Some workers have considered calling strikes in individual factories and steelworks, but no significant stoppages appear to have started.

Diplomats report that a meeting of the city's main trade union federation decided on Tuesday night that it was not appropriate to call a strike at this stage, thus undermining individual factory plans for the time being at least.

This followed a radio appeal by Zhu Rong Ji, the mayor of Shanghai, who has been spearheading an international campaign to attract foreign loans and joint ventures since he was appointed in April last year.

However there is a risk of widespread stoppages – and perhaps a general strike – if the army stages a violent clampdown in Peking. Like other provincial cities, Shanghai is waiting for a decision about the national leadership and about political reforms before deciding what to do next.

Dunn: community needs to be united before Chinese authorities can decide

HK closes ranks on Basic Law

By Michael Marray in Hong Kong

IN THE FACE OF political turmoil in China, conservative and liberal factions within Hong Kong's executive and legislative councils (Exco and Legco) have closed ranks unanimously to support a formula for the evolution of democracy in the territory. The move is an attempt to present China with a clear consensus on changes needed to the final draft of the Basic Law, the mini-constitution which will govern the territory after 1997.

The future political structure has been the subject of a fierce debate locally and the lack of a coherent message to Peking from Hong Kong on the vital issue of the development of democracy is seen as in effect leaving the decision to China, in spite of its stated commitment to full consultation.

"We firmly believe that the community needs to be united before the Chinese authorities are able to determine which model is the one which will receive the widest support in Hong Kong," Dame Lydia Dunn, a senior executive council member, said.

The presentation of the proposals to the Basic Law drafting committee by Exco and Legco members will line up formidable support behind the new model, which envisages half the legislative council members elected by popular vote in the first post-1997 legislature, rising to two-thirds in 1999 and full direct elections in 2003.

Up to now a more conservative approach has appeared likely, following the controversial model adopted for the draft Basic Law published in February, which suggests delaying full direct elections until at least 2012 and even then only after a referendum on the issue.

The crisis in Peking has disrupted the Basic Law consultation process, leading to calls for an extension to the July deadline for submissions from Hong Kong people on changes to the final draft.

On the Hong Kong stock market yesterday trading was less volatile than on the two previous days, with the Hang Seng index ending the day down 58.92 points at 3008.73, after a 339-point drop on Monday and a 261-point recovery on Tuesday. Turnover remained heavy at HK$3.03bn, though this was less than the post-crash record of HK$3.67bn set on Tuesday.

Israeli banker assails Peres sell-off plan

By Hugh Carnegy in Jerusalem

THE chairman of one of Israel's two biggest banks yesterday reacted sharply to the Government's plan to end minority control over the country's banks.

Mr Shimon Peres, the Finance Minister, announced on Tuesday that he intended to equalise voting rights in the banks' shares and then sell off the government's majority holdings, ending an anomaly which has left minority shareholders in control of the banks since 1983.

He said legislation to enact share equalisation would proceed if no agreement to do so voluntarily was reached with the existing owners within a month. He made it clear he intended the second biggest bank, Bank Leumi, with equity of about $1bn, to be the first to be sold off.

Mr Moshe Zanbar, chairman of Bank Leumi, said equalisation legislation would violate agreements made in 1983 when the Government took on the bank shares after a stock exchange crash and would be "a transgression of democratic principles".

He said the Jewish Colonial Trust OHH, which has 75 per cent control of Bank Leumi with just 2 per cent of equity, was willing to concede "one share-one vote", but only in exchange for being allowed to acquire extra equity to maintain its control.

However, senior Finance Ministry officials said the banks' owners would be exposed to a bidding process of some kind to ensure the Government receives the highest price for its shares.

The key questions yet to be faced are what the banks are really worth and who in Israel's relatively small capital markets will be able to raise the necessary resources. The Government hopes that foreign investors will take up to 30 per cent of the bank equity.

Superpowers urge Arab leaders to pursue peace

THE TWO superpowers have urged Arab leaders meeting in Morocco to work towards solving the Arab-Israeli conflict, the Lebanon crisis and the Iran-Iraq confrontation in the Gulf, but Presidents George Bush and Mikhail Gorbachev had very different messages for the Arab summit, Victor Mallet writes from Casablanca.

In a letter to King Hassan of Morocco, published yesterday, Mr Bush asked the Arab heads of state to approve the idea of elections in the occupied West Bank and Gaza Strip following the election plan announced by Mr Yitzhak Shamir, the Israeli Prime Minister. The summit is unlikely to oblige, although most participants agree with Mr Bush in supporting the new-found moderation of Mr Yassir Arafat, the leader of the Palestine Liberation Organisation.

"The re-admission of Egypt should help your efforts," Mr Bush said, referring to Egypt's return to the Arab League after 10 years of being cold-shouldered for making peace with Israel.

Mr Gorbachev's message avoided any direct reference to elections and called instead for an international Middle East peace conference and support for the Palestinian uprising. "In our opinion, this is a propitious time for progress towards peace," the Soviet leader said.

He also appealed for an end to "mutual extermination" in Lebanon and called for the withdrawal of Israeli forces from the south of the country, without mentioning the presence of some 35,000 Soviet-supplied Syrian troops to the north.

Zimbabwean economy grew at 5.3% in 1988

By Tony Hawkins in Harare

ZIMBABWE'S economy grew by 5.3 per cent last year – the highest growth rate since 1985 when output expanded 7.3 per cent. Official figures released this week show that agriculture was the main source of growth accounting for almost 3 percentage points of output expansion while manufacturing was responsible for only 1 percentage point.

Agriculture put in a strong performance in the rebound from 1987's severe drought and with the 80 per cent surge in tobacco prices. In spite of this, value added in agriculture last year was lower than in 1985-86.

Revised figures for the first nine years of Zimbabwean independence show that real GDP has been growing at 3 per cent a year – fractionally above the rate of population growth. As a result, income per head last year was little different from 1980 levels.

Downward revisions of the GDP figures make gloomy reading for government policy-makers suggesting that the budget deficit in 1988-89 at $575m (£368m) will be close to 13 per cent of GDP, above the 9 per cent level quoted by government officials.

The Government is committed to reducing the deficit to 6 per cent by 1991, but this target looks to be increasingly out of range.

Growth in 1989 is forecast by independent economists at 3 per cent, while inflation officially estimated at 7 per cent last year, had risen to 10 per cent by March and is forecast to reach 15 per cent by the end of the year.

The government is scheduled to announce a new system of price control next month which is bound to result in higher inflation in the second half of the year, while average wages are expected to rise by some 10 to 12 per cent.

Some forecasters are also predicting a fall in Zimbabwe's trade surplus from a record $375m last year to $330m.

Stage set for Nakasone to walk scandal probe tightrope

Can Japan's former prime minister talk his way out of involvement in the Recruit affair, asks **Stefan Wagstyl**

MR Yasuhiro Nakasone, the former Japanese prime minister, has long revelled in publicity. Unusually for a Japanese politician, he has enjoyed playing to the audience.

Tomorrow, he will have the opportunity to turn in the performance of a lifetime when he gives evidence to the Diet (parliament) on his role in the Recruit scandal.

Few people expect Mr Nakasone to volunteer new information. But the way he handles the allegations of corruption against him could make or break his political career. If he incriminates himself, if he is caught lying or contradicting himself, he might be forced to resign. If his answers stand up to cross-examination, he will remain a leader in his party with an outside chance of becoming prime minister again one day.

Mr Nakasone's aim will be not to win over his questioners from the opposition parties, but to convince his supporters in the ruling Liberal Democratic Party that Recruit has not destroyed his political credibility.

There are many in the party who would like to see him go. Rival leaders resent the way he openly courted support outside the party when he was prime minister. They are envious of the confident figure he cut on the international stage. Above all, they would hate to see him escape scot-free from the Recruit scandal when others, including Mr Noboru Takeshita, the Prime Minister, have been forced to sacrifice themselves.

In the face of this hostility, Mr Nakasone has to retain the loyalty of his own faction within the LDP. He has to persuade them tomorrow that they are better off with him than without him.

The odds are against him. The Recruit scandal concerns alleged corruption between 1984 and 1987, when Mr Nakasone was in office. His own chief cabinet secretary, Mr Takao Fujinami, was this week indicted on bribery charges.

The public prosecutor has examined the evidence against Mr Nakasone – but found it insufficient for an indictment. That judgment falls far short of clearing Mr Nakasone's name, in the view of many politicians. Mr Nakasone has moreover queered his own pitch. In his only public comments on Recruit, Mr Nakasone gave incomplete answers at a press conference in February.

Mr Nakasone's past record also counts against him. The 70-year-old former prime minister has been named in five other financial scandals in the last 20 years. The most notorious was the Lockheed bribery case in which Mr Kakuei Tanaka, the former prime minister, was convicted of bribe-taking. In each affair, Mr Nakasone denied wrong-doing but could never convince critics of his innocence.

Mr Nakasone will doubtless refer tomorrow to the fact that he has been forced to testify before, on 13 April 1977, on the Lockheed affair.

The main allegations against Mr Nakasone this time concern money and shares he and his aides received from Recruit, the business information company at the centre of the scandal. Mr Nakasone's aides were among 160 influential people who received cut-price stock in Recruit Cosmos, before it was floated in 1986. Mr Nakasone's secretaries received

Nakasone: make or break

29,000 shares, which were later sold at a profit of Y60m (£270,000). In addition, Mr Nakasone received an unquantified amount in political donations from Recruit.

None of this is necessarily illegal, under Japanese law, but Recruit's gifts were so lavish that they beg the question of what the company expected to get in return. If Mr Nakasone used his influence to the company's benefit, then the gifts constitute bribes.

Tomorrow's questions are likely to concentrate on two key allegations. One is a charge that Mr Nakasone helped secure the appointment of Recruit's founder, Mr Hiromasa Ezoe, to an important government advisory committee on tax.

The second charge concerns claims that Mr Nakasone used his influence to help Recruit secure two US-made supercomputers in 1986 and 1987. These machines were bought from Cray Research, the US manufacturer, by Nippon Telegraph & Telephone, the telephone company, and sold on to Recruit.

Recruit has not explained why it bought these machines in such a roundabout way. However, Japan was then under pressure from the US to increase public-sector purchases of supercomputers. NTT was still a state-owned enterprise. Recruit needed supercomputers to develop a new business leasing digital communications circuits. Routing the purchase of these machines through NTT eased international trade tensions.

It could all be a happy coincidence. But the prosecutor believes that the links between NTT and Recruit were corrupt. Three NTT officials have been indicted on charges of taking bribes in return for helping Recruit set up its telecommunications business, including securing the purchase of the supercomputers. The question is whether the links between Recruit and Mr Nakasone were also corrupt – did the former prime minister use his influence to help Recruit buy the machines?

Mr Nakasone will be walking a tightrope when he meets his accusers tomorrow. If he says too little, everybody will be convinced that he is trying to cover something up. If he says too much, he risks condemning himself out of his own mouth. Not surprisingly, Mr Nakasone is reported to have been practising his answers for some weeks.

Kabul receives Soviet weapons

THE Soviet Union poured fresh supplies of tanks and artillery into Kabul yesterday in a dramatic show of support for the embattled government of Afghan President Najibullah, Reuter writes from Kabul.

Mr Najibullah, defying predictions his government would collapse as soon as the last Soviet forces withdrew last February, has launched a new drive to persuade Mujahideen rebel commanders to start peace talks, saying he cannot be defeated militarily.

The column of T-62 and T-54 tanks, armoured personnel carriers and artillery driven by Afghan soldiers was followed by a long line of fuel trucks, relieving a petrol shortage in the Afghan capital.

An Afghan brigadier supervising the column at a checkpoint at the entrance to Kabul declined to say how many vehicles were in the convoy.

"What I can tell you is that it has taken an hour to pass this point so far and we'll be here for another half-hour at least until the last one has gone by," he said.

IMF board approves debt strategy

By Peter Riddell, US Editor in Washington

THE new strategy for reducing the debt and debt service burden of Third World countries has been approved by the executive board of the International Monetary Fund.

The detailed scheme is broadly along the lines set out by Mr Nicholas Brady, the US Treasury Secretary, in a speech on March 10. He proposed that the IMF and World Bank should become involved in setting aside money to assist in debt reduction and, in a novel development, provide finance to assurance bank creditors they will receive interest payments from problem debtor countries.

The World Bank executive board is expected to agree to a detailed debt reduction plan at a meeting next Tuesday.

The plan envisages the IMF setting aside 25 to 30 per cent of its loans from existing resources for reduction of loans. In total each institution will provide around $12bn for this purpose.

Countries will also be able to obtain 40 per cent of their quotas, or shareholding positions, at the IMF to support reductions of their interest payments to the commercial banks. An equivalent amount, of around $2bn, will be available from the World Bank.

Mr David Mulford, the Treasury under-secretary for international affairs, told a congressional committee yesterday that the proposals corresponded generally to those outlined earlier by Mr Brady.

He hoped that the agreement to go forward with the Brady plan would speed negotiations between commercial banks and creditors on debt and debt service reductions. In particular, he hoped the IMF decisions would help talks with Mexico, which are under way in New York without any breakthrough so far.

Mr Mulford repeated recent warnings to commercial banks on the possible consequences of not co-operating in writing down some of the loans already on their books. He said that if banks did not co-operate, the debtor nations might stop payment on their loans or there might be "a legislated or mandated solution to the problem that may be much more unpleasant" for the banks.

Debtor countries and banks currently involved in negotiations still remain "far apart," he added. Some countries have unrealistic expectations of what they can attain through the Brady plan and some banks have been reluctant to co-operate.

'Both sides cheated' in Panama poll

A CANDIDATE in Panama's presidential election yesterday told representatives of the Organisation of American States how the vote was fixed by both pro- and anti-government parties, AP reports from Panama City.

The OAS delegation yesterday met Mr Hildebrando Nicosia, the Authentic Panamanian Party's presidential candidate, who received only a small percentage of the vote in the May 7 elections.

Mr Nicosia said he described "the massive fraud" committed by both sides – the pro-government forces of the country's *de facto* ruler General Manuel Antonion Noriega, and the US-backed opposition coalition.

"People are tired of intransigence on both sides," he said. "The solution is for negotiations without prior conditions."

The Panamanian government presented its case against the US during a meeting with the OAS delegation on Tuesday night. The US and international observers have accused the Noriega-backed government of fraud in the vote to try and steal the election from the opposition.

An OAS source said the meeting with the government had been "difficult," but did not go into detail. Sources said the delegation was attempting to arrange a meeting with Gen Noriega, but had been unsuccessful.

Moscow trade status battle looms

By Nancy Dunne in Washington

US conservatives are preparing for an uphill battle in Congress against President George Bush's recently announced proposal to grant Most Favoured Nation (MFN) trade benefits to the Soviet Union in return for the codification of Moscow's liberalised emigration policy.

The codification is expected in the near future. Mr Bush said he would seek a temporary waiver of the Jackson-Vanik Amendment, which has linked MFN status to immigration since 1974.

Conservative groups are alarmed, not by the large reduction in tariffs on Soviet imports that MFN would allow, but by the fact that the US government will also make trade credits and credit guarantees available to Moscow. This could pave the way, they say, for large-scale Soviet lending by American banks.

American businesses seeking openings in the Soviet Union have pushed for MFN status for Moscow, as have US agricultural groups wanting to expand farm exports. MFN status would qualify Moscow for Agriculture Department credits.

Opposition to the waiver of Jackson-Vanik is being led by the American Foundation for Resistance International, a New York-based organisation whose board of directors and advisory committee lists some of the best-known conservatives in the country. It will co-ordinate lobbying with ethnic American groups opposed to an easing of US-Soviet relations, as well as ethnic human rights leaders in the Soviet Union.

Mr Paruyr Hayrikian, an Armenian leader exiled last July and president of the newly formed Democracy and Independence group in Paris, last week issued a statement opposing the Jackson-Vanik waiver "until there is democracy in the Soviet Union and permanent reforms are in place."

Belt importers face new duties

THE US International Trade Commission ruled that four foreign countries were selling industrial belts in the US market at less than fair value, paving the way for anti-dumping duties on the goods, Reuters reports from Washington.

The International Trade Commission, an independent agency that monitors adherance to US trade law, said the Commerce Department would now assess duties on the belts from Japan, Italy, Singapore and West Germany

The ITC, acting on a complaint by the Gates Rubber Co in Denver, said the "dumping" of belts at less than cost had risen sharply in recent years.

Brazil predicts record capital outflow in 1989

By John Barham in Sao Paulo

BRAZIL expects a record capital outflow this year. The Central Bank forecasts that capital repatriation by foreign companies could be at least $840m this year, 10 per cent above the previous record set in 1986. The Central Bank also expects multi-national companies to increase dividend and profit remittances to US$2bn, compared with $1.54bn last year.

The bank has no figures on capital outflow via illegal channels. Private economists expect, however, that flight capital will easily top last year's estimated $7.5bn, itself 134 per cent more than in 1987. They estimate that Brazilians have about $35bn to $40bn already deposited abroad.

Rising inflation, deepening economic chaos and uncertainty over the outcome of the November presidential elections are the main factors

One US banker warned, however, that "one should not exaggerate the capital flight phenomenon." He said his bank has advised companies remitting dividends to re-convert them on Brazil's currency black market.

FSX curbs backed by House committee

By Peter Riddell, US Editor in Washington

THE BUSH administration faces further problems with Congress over the controversial joint FSX fighter project with Japan after the House Foreign Affairs Committee followed the Senate in imposing limitations on the agreement.

The House committee's proposals are less restrictive than the Senate's but are still regarded as unacceptable by the administration because they impose limits on the president's executive powers and may require another round of negotiations with Japan.

The administration will seek to remove these constraints when the proposal is considered by a House-Senate conference in early June, and Republicans have warned that if any restrictions are left in there will be a presidential veto.

The House committee removed some of the restrictions imposed by the Senate, notably replacing a prohibition on the transfer of US engine technology to Japan with a non-binding resolution giving Congress the opportunity to vote on any such transfer.

Similarly, the House committee resolution requires Congressional approval, rather than imposes an outright ban, on any sale by Japan of FSX or its technology to a third country.

The House committee, like the Senate, approved proposals, unacceptable to the administration, that the General Accounting Office, the congressional watchdog, should report every 12 months on the progress of the project and that the Commerce Department should have a strong role in managing the programme.

The committee voted 26 to 12 to send its watered-down version of the Senate proposal to the House floor where it is likely to be approved.

Mr William Clarke, acting assistant secretary for Far East Affairs at the State Department, said the House version of the proposal would require the US to reopen negotiations with Japan.

Wright may step down during ethics hearings

By Lionel Barber in Washington

MR JIM WRIGHT, Speaker of the US House of Representatives, may step down from office temporarily as the House ethics investigation into his financial dealings moves into its final phase.

Mr Wright is said to be torn between his desire to clear his name and the mounting concern among congressional Democrats that the Speaker's difficulties are damaging the party and that he should therefore resign.

This week, in a high-risk gamble, Mr Wright's lawyers asked the Ethics Committee to dismiss the most serious charges against the Speaker. The committee is due to vote shortly and if it rejects the Speaker's motions, pressure will grow for his resignation.

Congressman Robert Torricelli, a key supporter, said: "An unexpected legal success at this stage is necessary for the public and members of Congress to take another look. He needs a victory."

The resignation of the Speaker, the most powerful elected Democrat in the country and the second in line to the presidency, would be unprecedented in the history of the republic.

Mr Wright is weighing whether he should remove himself from the Speaker's duties as they relate to official functions, a move which falls short of a resignation, which could be seen as an admission of guilt.

Wright: torn over move

Mr Wright, who watched this week's televised hearing from *his office in the capital*, continued to deny he had violated any rules of the House, but he added that he would not wish to be Speaker if he could not be respectable and effective. "Most of all, I want to protect my good name and that of my family. . . my wife and my colleagues."

Plea over Grenada case

A DEFENCE attorney for 17 people charged with the 1983 killing of Grenada's former Prime Minister Maurice Bishop says testimony against the defendants by a key witness was contradictory and should have been dismissed, AP reports from Grenada.

Fabian Gabriel, originally charged with taking part in the killings of Mr Bishop and several others, was pardoned during the 1985 murder trial when he gave testimony implicating the 17 defendants.

Fourteen of the defendants were sentenced to hang and three received long prison terms.

The appeal trial has been proceeding on and off since May 1988.

The killing of Mr Bishop by hard-line members of his own leftist government provoked the US-led invasion of this tiny eastern Caribbean nation several days later, and the re-establishment of parliamentary democracy.

Defence attorney, Mr Howard Hamilton, said that Gabriel's testimony should never have been admitted as evidence against the 17 defendants since he gave three different versions of events before and after the murder trial.

US warning on EC television proposals

By David Buchan, in Strasbourg

THE US has warned the European Community that proposed legislation on "European" content in cross-frontier broadcasting within Europe could pose a serious protectionist threat to US programme sales to the EC.

The European Parliament yesterday effectively conceded defeat in its bid to impose a binding minimum quota for European content. within a fixed timetable in future cross-frontier broadcasting in the EC. However, it agreed a form of words on majority European content which US officials still see as a threat.

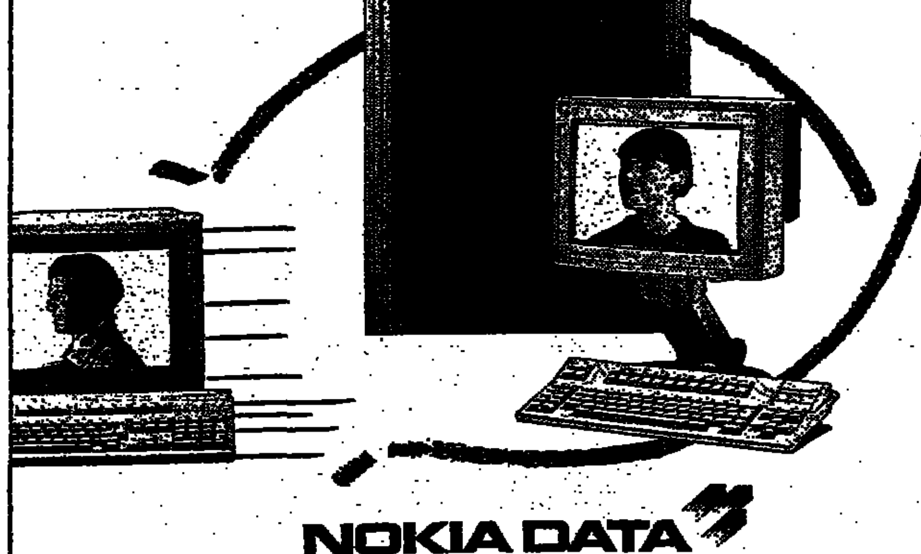
EC ministers meet on June 14 to give final approval to the plan which sets common rules for free cross-border transmissions, such as guidelines for the frequency of advertising, and a flexible obligation for cross-frontier broadcasts to carry "a majority of European works."

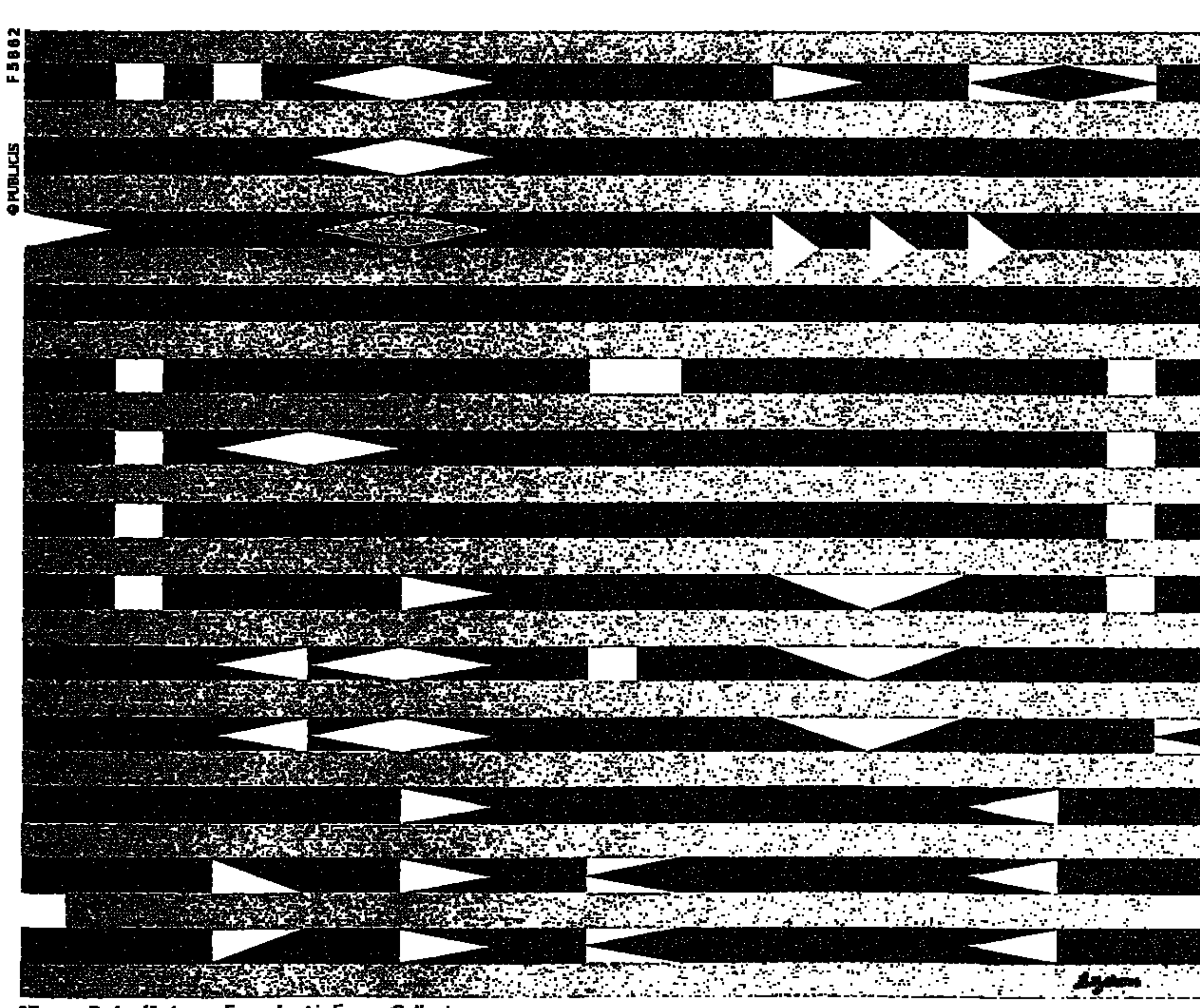
The flexibility lies in the fact that EC governments would simply "ensure, where practicable and by *appropriate* means, that broadcasters reserve for European works a majority proportion of their transmission time."

US Commerce Department officials, lobbying in Strasbourg this week, said that even this vague wording constituted a serious protectionist threat to US television programme sales to the EC, which amounted to $650m last year. The EC plan could draw unilateral retaliation under the US trade bill and a possible complaint to the Gatt.

The US officials said any reference to majority European content was effectively a 50 per cent quota, which would have practical effect because EC governments and the European Commission were required to monitor at regular intervals compliance with it. The US share in prime time entertainment programming is currently over 50 per cent in several EC states.

The Commission refused to accept a Parliamentary amendment requiring majority local content in European TV within four years.





WORLD TRADE NEWS

Gatt 'should monitor action against imports'

By Peter Montagnon, World Trade Editor

THE General Agreement on Tariffs and Trade should establish a special committee to monitor actions taken by its members to protect their own industries against disruptive surges in imports, according to a recommendation by the US, European and Canadian chemical industries.

The idea tops the list of a jointly-prepared series of proposals for stricter rules on such safeguard actions, which the industries believe should be one result of the current Uruguay Round of multilateral trade negotiations.

The purpose of the Uruguay Round talks on safeguards is to curb unofficial measures such as the voluntary import restraints limiting steel imports into the US and Japanese cars into Europe.

These have proliferated in recent years as countries have sought to bypass existing Gatt provisions. Yet despite the widely-recognised need to deal with this problem, the safeguard talks are one of the least-advanced items on the Uruguay Round agenda.

According to the position paper submitted by industry federations from the European Community, Canada and the US, a new safeguards agreement is needed to establish discipline in this area. It should contain enforceable and transparent rules requiring consultation and surveillance.

Among its other recommendations are that safeguard measures should preferably involve increasing tariffs rather than imposing quotas, that they should be temporary, and that they should be imposed without discrimination, although in exceptional cases they might be applied selectively against a particularly troublesome source of imports. Special conditions and increased disciplines would then apply.

The paper also suggests that the affected industry rather than its government should have the right to initiate safeguard cases, and that there should be a mechanism allowing for payment of compensation when a safeguard action has been invoked.

The role of the surveillance committee would be both to co-ordinate consultations between affected parties and to discourage them from taking measures outside existing rules. It should also be entrusted with the task of overseeing the phase-out of existing measures that are incompatible with the rules.

To prevent unnecessary delays, a strict timetable should be introduced for processing requests to initiate safeguard actions. A maximum overall time limit of 180 days should be established to help ensure that the process is transparent and that a timely decision is made as to whether an appropriate safeguard measure should be allowed, the paper suggests. Third parties affected by the proposed measures should also have the right to comment on the proceedings.

Philips Namsung venture

By David Brown in Amsterdam

PHILIPS, the Dutch electronics manufacturing giant, has announced plans to expand its car stereo operations in the Far East by joining forces with Namsung Corporation of South Korea.

Under the agreement signed yesterday, Philips' car stereo subsidiary will have a controlling 51 per cent stake in the joint venture, which is expected to produce 1m units annually using Namsung's existing capacity in Seoul.

Namsung, with an annual output of 3.6m units, claims a 24 per cent share of the Korean market.

It will gain access to proprietary Philips technology, according to Mr Burt Snijders, general manager of Philips' car stereo division.

Indonesian aircraft cleared for sale in US

By John Murray Brown in Jakarta

PT Nusantara (IPTN), Indonesia's state owned aircraft company, yesterday signed an airworthiness agreement with the Spanish and US aviation authorities which clears the way for US sales of its CN-235 aircraft.

The deal requires the Spanish aviation authority to guarantee airworthiness and approve any design changes on the CN-235 – a 35 seater which IPTN has jointly designed and manufactured with Construcciones Aeronauticas Casa of Spain. One official said it would probably be six months before delivery.

The CN-235 agreement, which is likely to lead to full US certification, is a significant breakthrough for IPTN as it starts development of Indonesia's first totally home-grown aircraft, the 50-seater N250, a project Mr Jusuf Habibie, IPTN's chairman, hopes to announce at the Paris Airshow next month.

The CN-235 – a prop-fan, twin-engine, short-hop commuter aircraft – is widely seen as a possible rival to the Italian-French made ATR-42. It has short take-off and landing capability and can be used for passengers or freight and containers.

IPTN says no export orders have yet been concluded. However, Mr Paramajuda, the commercial director, yesterday confirmed orders from domestic buyers for 21 CN-235s, the majority from Merpati, the state-owned domestic carrier.

Earlier this week Mr Habibie, who is also Minister for Research and Technology, said IPTN was looking to complete a contract with Conquest Airlines of Houston, for 15 CN-235s worth $100m (£65m). Also under negotiation is the sale of four aircraft to Executive Express Airline of Dallas.

IPTN, which had total sales last year of $150m, has capacity to turn out six CN-235s a month at its Bandung factory. Under the shared work programme, IPTN makes 50 per cent of the airframe parts – largely the rear sections and wing tips – and the rest is shipped from Casa.

Mexico sets out to win back investment

Richard Johns on a radical change in the regulations governing foreign companies

AT the beginning of last week some 40 foreign investment applications for projects worth an estimated $900m were under study by Mexico's National Foreign Investment Commission (CNIE).

Under new regulations announced here on May 15, "a lot" of the proposals – many of which involve up to 100 per cent foreign ownership – will have been given automatic approval as long as they fulfil "seven very simple requirements," Mr Jaime Serra Puche, Minister of Commerce and Industry (SECOFI), told the Financial Times last week.

The new regulations, which reinterpret Mexico's restrictive legislation on foreign investment, make a significant break with its traditionally hostile attitude to foreign ownership of its business and industry. They should ease the way for investment in areas covering about two-thirds of the country's economy, reckons Mr Serra, 38, who with his Yale PhD typifies the polished academic qualifications of President Carlos Salinas de Gortari's new economic team.

Basic economic activities such as the exploitation of oil and gas, petrochemicals and public utilities, as well as the 66 per cent control of the nationalised banks held by the government, stay unequivocally reserved for the state under the new rules. Many other industrial and business sectors are still reserved for majority control by national capital, with varying minority stakes permitted by law to foreign partners.

The Foreign Investment Law of 1973 laid down 49 per cent as the maximum foreign holding in any Mexican enterprise but is flexible and ambiguous enough to have allowed a handful of companies to negotiate full ownership.

Obtaining exemption has been, however, a labyrinthine, laborious affair. Applications took a year to process, says Mr Serra. Under the new rules a much leaner-looking SECOFI – until recently notorious for its bloated bureaucracy – is committed to elimination of red tape and simplification of administrative procedures.

"We have decided to give clarity, simplicity and transparency to the rules and to create automaticity in decisions," he says.

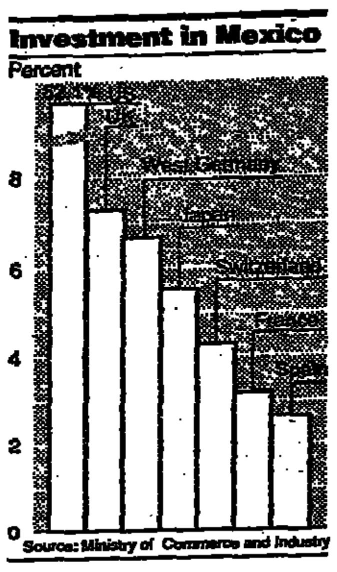
Plenty of confusion remains. But one important factor is clear: for Mexico, unquestioned acceptance of foreign investments of up to $100m and majority control up to 100 per cent, on the basis of established guidelines rather than prolonged haggling, is a radical change.

The 1973 legislation drafted by the the left-inclined administration of Mr Luis Echeverria was calculated as much to inhibit as to regulate foreign investment.

Its text and tenor reflected the spirit of the Mexican Revolution of 1910, in which the long dictatorship of Porfirio Diaz was overthrown, not least because of the vast inroads of foreign capital he facilitated.

Investment in Mexico

Percent



Source: Ministry of Commerce and Industry

Succeeding administrations have continued to regard foreign investment with suspicion. Above all, it is seen as a threat to national sovereignty because of the overbearing presence of the US, Mexico's powerful neighbour.

However, seven years of economic stagnation, a drastic decline in living standards, and the burden of servicing the country's $100bn debt have changed all this. A substantial inflow of foreign capital is now considered vital for the regeneration of the economy, regardless of the outcome of the debt renegotiations with the commercial banks.

Necessity apart, the old shibboleths would count for little or nothing with President Salinas, Mr Serra and their kind.

First, says Mr Serra, "We live in a world where flows of foreign investment are increasing." He asks why Spain can receive as much as $10bn in a year when the best achieved by Mexico has been $3bn.

Second, the closed the economy until Mexico joined the General Agreement on Tariffs and Trade in 1986 left it technologically backward.

Third, Mr Serra regards joint ventures as a means of overcoming a decline in trade flows which he regards as inevitable with the formation of trade blocks.

The seven requirements which proposed investments must meet if they are to be automatically approved are that capital should not exceed $100m; financing should be wholly external; the initial outlay should be no less than 20 per cent of the project's cost; they should be self-supporting in foreign exchange within three years; "adequate technology" should be used which satisfies environmental regulations; projects should be located outside the Valley of Mexico, Monterrey and Guadalajara; and permanent employment should be generated and training given to Mexicans.

Included among areas where the law continues to limit foreign investors to a specified minority shareholding are such important industries as secondary petrochemicals and automotive parts.

In this sphere, however, the new rules allow a foreign entity to have majority control for 20 years through the mechanism of a *fidiecomiso*, or trust fund, to help Mexican companies which have great export potential or which face financial difficulties.

The idea is that at the end of that period the venture can be "Mexicanised", with the foreign partner becoming a minority shareholder again.

Potential investors are likely to be initially puzzled by the concept, wary of it and probably unenthusiastic. But the device has already been successfully used for tourist developments as a means of securing land tenure for 30 years. It is thus a way around the constitutional ban on foreign ownership of coastal land.

Existing trust funds of this kind can now be extended for a further 30-year period when they expire.

At least Mr Serra leaves no doubt that amendments to the rules not only clarify the letter but also reflect a change in the spirit of an unsatisfactory law which it would be difficult to alter fundamentally for constitutional and political reasons.

Austria to seek compensation for abandoned dam

By Judy Dempsey in Vienna

AUSTRIAN officials and contractors are today expected to seek compensation from the Hungarian government, which this month suspended all work on construction of a giant dam on the river Danube.

Mr Miklos Nemeth, the Hungarian Prime Minister, arrives in Vienna today from Prague in an effort to explain his government's decisions to postpone and eventually cancel the controversial dam project altogether.

The dam at Nagymaros in north-west Hungary was to be twinned in the early 1990s with a dam at Gabcikovo in Czechoslovakia, under the terms of a contract signed between both countries in 1977.

However, Hungary delayed work for some time on the dam, partly because of rising costs and partly because it disagreed with the project on the grounds that it would harm the environment and was not really necessary.

But in the pre-glasnost era, when socialist fraternity and unity reigned supreme, Hungarian officials were reluctant to voice their reservations about a dam which was last week described by Mr Imre Pozsgay, a member of the Hungarian politburo, as a "monument to Stalinism".

But the Austrian government stepped in by providing the financially-strapped Hungarian authorities with credits, manpower and equipment worth a total of Sch8bn (£357m).

But Vienna's involvement arose from neither Austrian altruism nor exemplary relations with Budapest. Rather, it was an attempt by Austria to make use of the redundant equipment arising from problems with its own planned hydroelectric dam project at Hainburg, in the east of the country.

Hainburg had mobilised Austria's then fledgling green movement in 1985 into forcing the government to back down and cancel the project. And in an ironic twist to the whole affair, Austria's decision to help finance the Hungarian dam at Nagymaros galvanised Duna Koer – Danube Circle, the Hungarian independent green movement – into organising a huge campaign against the dam.

It was that pressure, combined with domestic political considerations, which precipitated Mr Nemeth's decision to suspend all work on the dam.

Faced for the second time with redundant equipment and lost man-hours, and none of the power from Nagymaros Austria was due to receive between 1995 and 2015 in part payment for the credits, the Austrians are now seeking compensation.

The amounts vary from Sch1bn to Sch2bn. The problem is that Hungary, already struggling with its hard currency debt of over $18bn, simply has no spare hard currency to pay compensation.

It is however expected that Vienna and Budapest will come up with a compromise. Already Austrian officials say that some of the Austrian "know-how" might be diverted into preparing for a massive World Exhibition which both cities hope to host in 1995.

By that time, as visitors make their way along the Danube towards Budapest, Nagymaros might be returned to its original natural beauty.

Markets force Chancellor's hand

Simon Holberton examines the pressures behind the base rates rise

AFTER BEING mugged by foreign exchange markets, the only thing which Mr Nigel Lawson, the Chancellor of the Exchequer, could have said was that he would do what was necessary. Bank base interest rates at 14 per cent would be, he hoped, sufficient to stabilise the pound's international value.

If he is right, then the British economy may escape relatively unscathed from the latest rise in interest rates. But as Mr Lawson and his advisers know, he is getting dangerously close to "overkill" territory; another rise in rates in defence of sterling might tip the economy into recession.

The official line was that the rise in rates was all about preserving the credibility of the Government's exchange rate policy. The Government was confident that 13 per cent interest rates was doing the job of cooling the growth in demand in the UK. But with the pound approaching a free fall, policy had become unbalanced; the exchange rate was beginning to look more like a source of inflation than a bulwark against it.

In politics, and in financial markets, appearances are, as Oscar Wilde said, everything. A cause for sterling's dramatic falling over recent days has been the apparent re-emergence, however untrue, of discord between the Prime Minister and her Chancellor.

The foreign exchange markets might have misinterpreted remarks by Mrs Margaret Thatcher, the Prime Minister in the House of Commons on Wednesday, when she suggested that steps already taken were enough to bring down inflation. But that simply amplified a negative reaction to the pound which had begun last Friday when Mrs Thatcher appeared to reopen the wounds of last spring, when she and the Chancellor were apparently at odds over the question of pegging sterling to the D-Mark, and seemed to be blaming Mr Lawson for Britain's inflation rate rising to 8 per cent.

It was that event, together with the surprise announcement that inflation had risen (instead of falling as most analysts thought it would) which were two of the proximate cause for sterling's sharp fall. The other was the dollar, which has risen unchecked for more than two weeks – a rise that has thrown into question the unity of the Group of Seven leading industrialised countries (the US, Canada, Japan, West Germany, Italy, Britain, France).

A consequence of the "disarray" among the G7, as one official yesterday referred to it, has been to force the value of the pound lower in terms of the dollar – fuelling concerns at the Treasury and the Bank of England that Britain would begin to import inflation from abroad – and in so doing make it a focus of currency market attention.

It has been a pattern of foreign currency trading over the past year that when the main currency relationships – the dollar/D-Mark, the dollar/yen – were stable, currencies such as sterling tended to garner most attention. Tuesday was such a day. The currency market had paused to assess where the dollar was going, now that it had risen above DM2 and Y140, and the market decided to dump the pound.

What makes all these reasons for sterling's fall unconvincing as a total explanation is that they fail to take account of the deterioration in the outlook for inflation in the UK. It came as a huge surprise to financial markets, as it did to the Treasury and the Bank of England.

The April rise in the retail prices index to 8 per cent above a year ago caused surprise because the index was favourably affected by the Chancellor's decision not to raise taxes on alcohol, tobacco and petrol. This was worth a saving of 0.4 per cent on the index and officials did not expect inflationary pressures to be so great as to over-ride the implicit fall in the index.

The increased pressure on prices came not only from the rise in the oil price feeding through to higher energy prices but was broadly based across food and clothing as well. This has led the Treasury to revise higher its expectation for the peak level of inflation this year to around 8.5 per cent from around 8 per cent at the time of the budget in March.

The less encouraging outlook for inflation reflects the less propitious international background and the afterglow from last year's boom. Although there are clear signs that demand in the economy is beginning to slow, possibly quite rapidly, the forces fueling inflation – seen in a still tightening labour market which in turn is supporting demands for higher pay settlements – remain because they tend to lag developments in the economy.

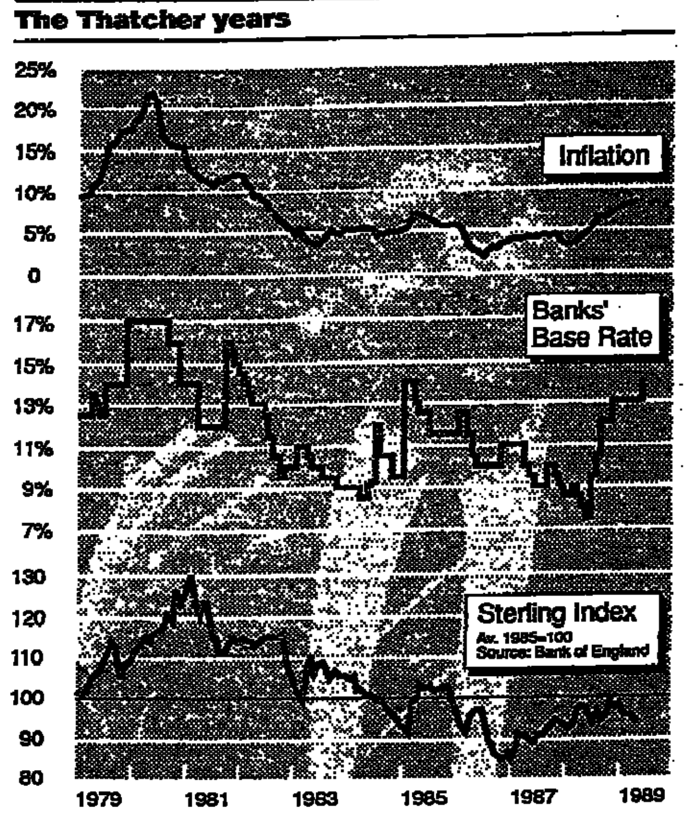
That said, yesterday's move up to 14 per cent is not seen in government circles as a threat to sustained growth. Leaving aside possible psychological effects on the consumer, it should not affect consumption via reduced disposable income because building societies are not expected to raise their mortgage interest rates.

However, officials are too aware of the risks if sterling should falter again and not absolutely confident that it will not. As one noted: "We might find ourselves tested again." This is especially so in the current international context where Japan and West Germany are expected to raise their interest rates. The Japanese could take that decision quite soon, with some in the markets expecting a 0.5 to 0.75 percentage point rise in the discount rate from its current level of 2.5 per cent.

A rise in Japanese and Continental interest rates could undermine sterling by narrowing the differential between UK interest rates and those of the other major countries. And the foreign exchange market's less than enthusiastic endorsement of the Chancellor's move to raise UK rates yesterday would appear to heighten that risk.

Mr Lawson made good his words on inflation with his actions yesterday, he may, however, find that he is called upon to do so again

The Thatcher years



NATIONAL INSTITUTE REPORT

Gloomy forecast for Britain's bid to control inflation

By Simon Holberton, Economics Staff

THE NATIONAL Institute of Economic and Social Research, an independent think tank, yesterday attacked the Government's handling of the economy and presented a gloomy outlook for medium-term UK economic performance.

In its quarterly review the institute says deregulation in Britain during the 1980s may have deprived the Government of the means to control inflation. It believes that over the next two years the British economy will suffer from relatively high inflation, a large trade deficit and low growth.

This year it expects output to grow by a little more than 2 per cent, for inflation to be above 6¾ per cent by year end, and for the trade deficit to be more than £17bn. In 1990 it expects slower growth, 6½ per cent inflation and a trade deficit of nearly £15.5bn.

The Institute says that the resurgence of inflation and the scale of the trade deficit "raise deeper issues about the performance of the economy," but they are "all too consistent with past experience."

The Institute notes that underlying productivity growth in manufacturing has grown no faster in the 1980s than in the previous two decades. "Less has changed since the 1970s than might have been hoped," it says.

The Institute is particularly critical of the Government on three counts:

- Too few resources have been devoted to vocational training for industry, a weakness which underlines many of industry's recurrent problems.
- The operation of fiscal policy should have been conducted better. The Institute is particularly critical of the way the Government has encouraged consumers to expect future tax cuts, which may have fuelled the boom.
- Over the past 10 years the Government has encouraged people to pursue their private interests with the minimum of regulation. But such a system will work only if the authorities have some reliable means of controlling inflation and the preparedness to use them.

"Recent events call into question whether those minimum conditions are now being satisfied in the UK," it concludes.

World price rises 'to slow by 1990'

By Ralph Atkins, Economics Staff

INFLATION will rise strongly around the world this year but higher interest rates will begin to take effect in 1990 and beyond, the review says.

Output relative to capacity in the seven major industrial nations has been running at the highest level for more than a decade while both producer and consumer prices have accelerated markedly, the review says.

The average consumer price inflation rate in the US, Japan, West Germany and France is expected to rise from 2.7 per cent in 1988 to 4.1 per cent in 1989.

It says interest rates have risen as a clear response to fears of rising inflation and short-term rates are now 3 per cent higher in West Germany than a year ago.

Rises in long-term rates have been considerably less, however, suggesting financial markets expect the contractionary monetary stance to be successful in reducing inflation in the long run.

The review warns that recent exchange rate and interest developments "have not been conducive to a process of orderly adjustment of current account imbalances toward more sustainable levels."

The strength of the dollar has a short-term depressing influence on US growth prospects, it believes.

"In the short term there appears to be no tendency toward adjustment of the structure of current account imbalances toward what we perceive as a more sustainable pattern, but in the longer term there may be more orderly, if slow, progress."

It adds: "Our presumption that interest rates will remain relatively high in the US along with a belief that there must be some tightening of fiscal policy, produce a path that eventually looks sustainable."

The institute forecasts that last year's strong economic growth in leading industrialised countries will continue in 1989, albeit at a slightly slower pace.

It notes that world trade was buoyant last year, but says tighter monetary policies and unconducive exchange rate developments are likely to lead to slower growth in 1989.

AN UNEXPECTEDLY large fall in retail sales figures for April yesterday added to evidence of a pronounced slowdown in UK consumer spending caused by high interest rates.

Retail sales volumes dropped a provisional 1.4 per cent last month after adjustment for normal seasonal variations, the Department of Trade and Industry said.

That was the biggest fall since May 1987 and compared with expectations in the City of London of a small rise.

The fall reinforced hopes of a "soft-landing" for the UK economy with low demand growth eventually feeding through into slower output and falling inflation. In March, sales rose by 0.4 per cent.

However, the figures could have been distorted by the timing of Easter which fell entirely in March for the first time since 1978, upsetting usual seasonal adjustments made by Government statisticians.

The department warned that April's figures could be revised but said that since autumn volumes had been broadly flat.

Retail sales figures, which account for about a quarter of total consumer spending, are thought to be among the first indicators to react to higher interest rates.

Yesterday's rise in base rates, if reflected in higher mortgage rates, could accelerate the slowdown in consumer spending.

UK NEWS

BAe launches Jetstream regional aircraft project

By Lynton McLain

BRITISH Aerospace yesterday launched a £130m project for its first new commercial aircraft for four years, the 29-seat, Jetstream 41 regional airliner.

BAe expects that the airliner, which will cost $5.5m each, will give the company more than 50 per cent of the US small airliner market.

Between 400 and 500 jobs will be created at Prestwick, Scotland, where the airliner will be made, alongside the smaller Jetstream 31 airliner. This aircraft has 90 per cent of the North American market for 19-seat airliners, with 291 orders to date. BAe now employs 2,000 at Prestwick.

BAe said the combined Jetstream 31 and 41 programmes were expected to inject £1bn of business into the Scottish economy in the next 15 years.

Sir Raymond Lygo, BAe chief executive, said the company had received letters of intent from airlines in the US and elsewhere for 100 Jetstream 41s. The first orders are expected to be announced next month at the Paris Air Show.

Half of the £130m launch cost of the Jetstream 41 will be borne by British Aerospace (Commercial Aircraft), with funding from the European Investment Bank and £5m of regional selective assistance from the Scottish Office.

The balance is to be provided by three risk-sharing partners: the US aircraft engine company Garrett, which will supply the engines for the Jetstream 41; Pilatus Aircraft of Switzerland; and the Field Aircraft subsidiary Hunting Group of the UK.

The wings for the Jetstream 41 will be made by Gulfstream, of the US, and the rear fuselage by Pilatus.

Dr Maurice Dixon, managing director of British Aerospace (Commercial Aircraft) said the decision to launch the Jetstream 41 was based on a target of 400 aircraft sales.

BAe also said that US regional airline WestAir Holding has ordered up to 52 of the Jetstream 31 and Super 31 airliners in a contract is worth $200m.

Lonrho scores win in courts

By Raymond Hughes, Law Courts Correspondent

LONRHO, the international conglomerate headed by Mr "Tiny" Rowland, has won the first stage in its defence against accusations that it has been guilty of contempt of the House of Lords.

The five Law Lords who initiated the contempt proceedings yesterday decided that they would not hear the case themselves but leave it to a differently constituted Lords' judicial committee.

Lord Keith said that he and Lords Templeman, Griffiths, Ackner and Lowry would give reasons for their decision to withdraw from the case at a later date.

The hearing would resume before different Law Lords on June 6, Lord Keith said.

The decision came at the end of a 2¼ day hearing at which lawyers for Lonrho, four of its directors and The Observer, the Lonrho-owned newspaper, argued that if the five Law Lords who had raised the contempt issue dealt with the case themselves, they would be seen as acting as both prosecutor and judge in their own case and justice would not be seen to be done.

The case should either be handed over to other law lords or left to the Attorney General to consider whether to bring contempt proceedings in a Crown Court, it was argued.

Mr Rowland, one of those facing the contempt allegations, said afterwards that he was grateful for the decision.

Sir Edward Du Cann, Lonrho's chairman, said it was "the first step on a long road to getting justice in this affair."

The case – first involving an alleged contempt of Law Lords – concerns a special issue of The Observer containing extracts from a leaked Government report on the House of Fraser takeover by the Egyptian Fayed brothers. Copies were sent to Lords Keith, Templeman, Griffiths and Ackner just before they and Lord Lowry were to hear a Lonrho appeal in the Fraser litigation.

The issue of possible contempt was raised by Lord Keith at the outset of the appeal.

Contempt allegations are made against Lonrho, Mr Rowland, Sir Edward Du Cann, Mr Paul Spicer, Mr Robert Dunlop, The Observer, its editor Mr Donald Trelford, and two lawyers who acted for Lonrho in litigation in the Fraser dispute.

Yesterday Mr Gordon Pollock, barrister for the Lonrho directors, said they did not think Lord Keith and the four Law Lords sitting with him would give them a fair trial.

Britain in effort to alter EC bank plan

By William Dawkins and David Lascelles

BRITAIN is campaigning to alter European Commission proposals for the capital soundness of EC banks that would complicate the daily management of money markets by the Bank of England.

London was yesterday trying to persuade a meeting of EC Ambassadors to consider giving UK discount houses special treatment under the Commission's draft directive for a minimum solvency ratio between credit institutions' capital and assets. Britain's 10 discount houses act as sole intermediaries between the Bank of England and commercial banks, feeding liquidity into the money market at interest rates set by the monetary authorities and buying in surpluses of bills of exchange.

It is feared that several would be unable to meet the 8 per cent ratio of capital to assets the scheme proposes. The UK system has no real EC equivalent.

The capital adequacy scheme, which sets the conditions for the single EC banking licence proposed by the Commission last year, needs the support of a qualified majority of member states. There is no suggestion of a disagreement at this stage, but Britain could be outvoted if it fails to win its partners' support.

Britain's problem is that the solvency ratio plan treats discount houses as if they were banks, which technically they are, though they are not subjected to the Bank of England's normal supervisory regime. Several would have to scale back their operations or raise fresh capital to comply.

Technical problem forces BSB to delay launch until next year

By Raymond Snoddy

BRITISH Satellite Broadcasting, the satellite television consortium, yesterday decided to delay its scheduled September launch until January or February next year due to technical difficulties.

Millions of pounds have already been spent on an advertising campaign informing consumers that BSB would launch its three-channel service later this year.

The rival service Sky Television, part of Mr Rupert Murdoch's international media interests, was launched on February 5 this year, although the group does not plan to launch its encrypted subscription film channel until later this year.

The BSB delay will give Sky an extra four or five months to build up its audience without competition.

However, Mr Anthony Simonds-Gooding, BSB chief executive,said yesterday: "We are more than ever convinced Sky is not a potent reality until it has an encrypted film channel and that could be next year. We aim to be the first effective encryption service."

Mr Simonds-Gooding conceded he would have preferred to have hit the pre-Christmas market, but wants above all to avoid what he considers to be Sky Television's mistake of launching the service before there were sufficient stocks of receiving equipment in the shops.

The BSB chief executive said the satellite project had the full support of its shareholders. "I believe in the marrow of my bones we have the best technical system in every sense," Mr Simonds-Gooding said.

BSB, the second largest capital project in Britain after the Channel Tunnel, is likely to need total investment of more than £750m, of which £400m has still to be raised.

The launch has been postponed because of delays on essential microchips for the receiving equipment. Less than three months before the first of two BSB satellite are launched there is also no public sign that orders have been placed for the manufacture of BSB's square receiving aerials, known as Squarials.

BSB, whose main shareholders include the Bond Corporation of Australia, Granada, Pearson, publishers of the Financial Times, and Reed International, say they could have proceeded in November. Only small quantities of receiving equipment would have been available by then.

The delay will also enable BSB to launch as a five rather than a three-channel system.

The Independent Broadcasting Authority, which regulates British commercial television, will announce next month who will get Britain's last two remaining satellite broadcasting channels. Whoever wins control will have their service carried on the BSB satellites.

Judges widen Customs' powers

CUSTOMS OFFICERS have been granted wider powers in the fight against international drug trafficking following a High Court ruling in London yesterday.

They may now apply to a judge for permission to send copies of any confidential documents they obtain during drug investigations to a foreign country to assist in their drug-trafficking investigations.

The ruling reverses a condition imposed on the Customs last November which prevented the disclosure of information to the US about the bank accounts of General Manuel Antonio Noriega and his family. General Noriega was indicted in the US in October 1982 and February 1988 on drug trafficking charges.

Lord Justice Watkins said the reason the original order had been imposed was the fear of reprisals in Panama.

He said the court considering the latest ruling had to answer several precedent-setting questions. The judges finally decided the law relating to getting search warrants or production orders in drug investigations related not only to inquiries in this country but to other countries.

"It is not surprising that Parliament ... should have legislated to permit a Customs officer here to apply to a circuit judge for a production order in respect of the supected passage of money, laundered from drug trafficking abroad, into a London bank no matter that such conduct forms only a comparatively small part of the trafficking," said the judge.

Parliament had clearly intended that a circuit judge should have a discretion whether to grant a production order or search warrant in such an investigation.

Although the law specified that material gathered in this way must be "retained" by the Customs this did not stop them from sending out copies to foreign agencies. The originals could not be sent, however.

Riot raises grim spectre of threat from crack

By Richard Tomkins

DISTANT lightning and rumbling thunder yesterday provided an ominous backdrop to the inquest into Tuesday night's street violence in the Heath Town area of inner Wolverhampton, the Midlands.

Hours earlier, in scenes reminiscent of Britain's inner city riots in 1981, 250 police in riot gear had fought a pitched battle with several hundred rampaging youths within the concrete precincts of the Heath Town housing estate.

There were no reported injuries during the hour-long confrontation, but two or three petrol bombs were thrown, a shop was looted and a council housing office set ablaze.

More disturbingly still, the violence came minutes after a raid by the West Midlands Police drugs squad on the Travellers Rest pub, in which the town's first seizure of crack was made.

Last week Mr Douglas Hurd, Home Secretary, referred to crack – a highly-addictive drug derived from cocaine – as "the spectre I see hanging over Europe," likening it to the mediaeval plagues. Was this, it was being asked yesterday, a glimpse of the spectre?

Mr Paul Leopold, deputy chief constable of West Midlands Police, yesterday feared the worst. He was not suggesting that the violence was carried out by a drug-crazed mob, he said, but he believed it might have been instigated by people who saw the raid on the Travellers Rest as a threat to the profits of drug dealing.

The truth may be more prosaic. As Mr Leopold pointed out, the confrontation between the youths and police only began when a crowd attacked the Travellers Rest after the drug raid had ended.

According to youths watching workmen board up the pub's smashed windows yesterday, relations between the pub's Scottish manager and his mainly West Indian customers were at rock bottom.

The pub was attacked, they said, because the manager was believed to have encouraged the raid, and police got involved only when they came to rescue him. Against a background of poor relations between the police and parts of Wolverhampton's black community, it was not surprising that the violence escalated before it was quelled.

The youngsters were also sceptical that crack was found during the raid. "Cannabis, yes: you'd expect that here. But it's the first I've heard about crack," said one.

Detective Superintendent Bob Morris, head of the West Midlands Police drug squad, said there had been five seizures of crack in the region so far, but none had been accompanied by violence.

Deputy Chief Constable Leopold said the raids would go on, and he regarded the Wolverhampton incident as an isolated one. Council and community leaders were agreeing with him – and all were fervently hoping it was true.

Ministers agree to widen Anglo-Irish accord scope

By Our Belfast Correspondent

THE BRITISH and Irish Governments yesterday reaffirmed their commitment to the Anglo-Irish agreement and said the scope of ministerial conference meetings would be widened.

However, the review of the workings of the Anglo-Irish Intergovernmental Conference produced no significant changes in arrangements for co-operation.

Meetings of the conference are to become more regular and both governments will provide more public information about their work.

Ministers said, however, that there was "no fundamental change" required at present and observers said the review amounted to fine-tuning.

A greater number of ministers from each country are to be involved at conference level as a wider agenda of issues of common interest is developed.

The 11-page review was published after a conference meeting in Belfast at which the British side was headed by Mr Tom King Northern, Britain's Northern Ireland Secretary, and Mr Ian Steward, his deputy. The republic was represented by Mr Gerry Collins, Justice Minister, and Mr Ray Burke, Industry Minister Mr Ray Burke.

Both governments stress the importance of co-operation between police forces on both sides of the border and affirm their determination to co-operate in battling terrorism.

Further measures are to be introduced to instilconfidence among nationalists in the security forces, including the systematic monitoring of the nature, pattern and handling of complaints by the public about the police and army.

However, the British Government continues to oppose the introduction of three-judge courts for terrorist trials despite Irish pressure. The Irish have acknowledged the repeal of the Flags and Emblems Act, the new Public Order Legislation and British efforts on fair employment.

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Alcatel E10 THE UNIVERSAL SYSTEM

Leading Edge Technology

The Alcatel E10 system is at the leading edge of technology in every field:

*The basic ALCATEL 8300 processor, used also in all Global Network applications, uses the most recent 32-bit microprocessors.

*Together with the distributed structure of the control unit, this gives the system a significant reserve of computing power for future development.

*The 16-bit data bus is a single stage T-network (2048 MIC), with 0 blocking probability and no path search.

*Inter-processor communications use token-ring technology.

*The technology used makes extensive use of VSLI integrated circuits and surface mounted components.

*The number of cards and components used is very low (32 different cards for the OCB 283).

Evolutionary Functions

Alcatel E10 is designed to support all the new services required by users and operators. This facility is essential in order to cope with the continuing worldwide explosion in demand for telecommunications.

Improvement, not Replacement

Alcatel's R & D policy of design continuity allows it to propose new equipments which complement, rather than replace, existing switching assets. From the outset Alcatel has instituted a regular, structured programme for functional and technological upgrades.

Alcatel's periodic addition of new functions in the Alcatel E10 building blocks allows it easily to support new functions, or to introduce individual specifications for a given country.

The autonomy of the functional blocks greatly simplifies these upgrades. Implementation of an upgrade can be carried out on working switches with neither disruption of traffic nor disturbance of function.

Functional Upgrades

Each new upgrade, in itself entirely compatible with all previous ones, comes as a coherent whole:

—System functions and services.
—Versions of software.
—(Possibly) Additional equipment.
—Associated documentation

Upward compatibility between different functional levels of technology is standard development practice in the system. Any working switch can be upgraded by additional software and hardware, without interruption of service. It is in this way that upgrades as significant as CCITT SS7 signalling and ISDN are currently being introduced into working switches serving tens of thousands of subscribers.

Exchanges at different levels of upgrade can coexist comfortably in a network.

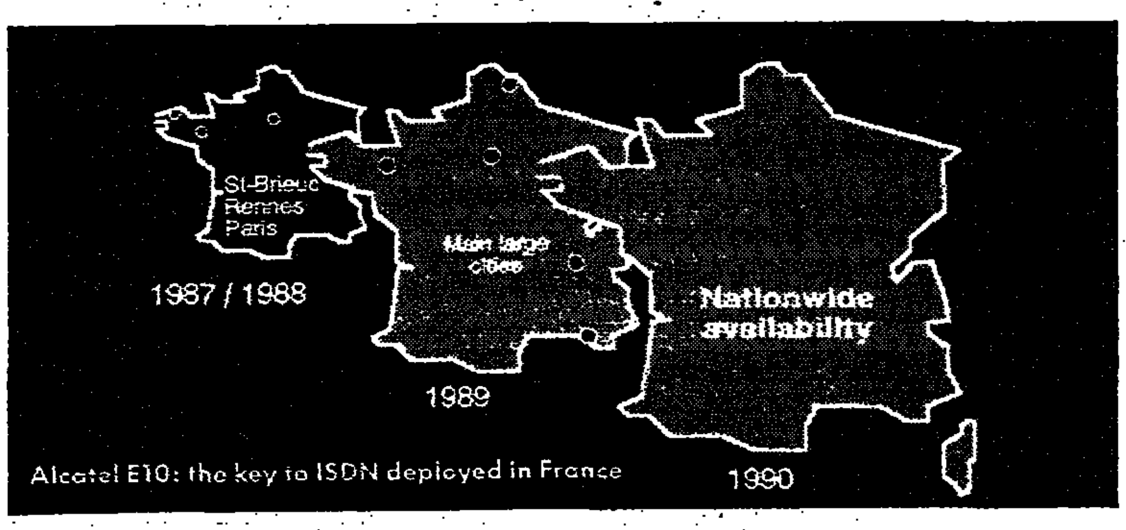
The introduction of ISDN services is thus not restricted just to the most recently installed exchanges. All Alcatel E10 switches, no matter which version of connection and command block they use (OCB 181 or OCB 283), can accept the software and hardware upgrades needed for commercial implementation of ISDN.

Alcatel E10, the Key to ISDN

For the Alcatel E10, ISDN is a functional extension of the system, in exactly the same way as the regular introduction of new facilities.

The key design concept which guarantees controlled development in the ISDN environment is that of successive generations of software and hardware, each of which is fully compatible with and complementary to its predecessors. Investment is fully protected.

ISDN can thus be introduces into every switch currently in service worldwide, without any interruption to the service being provided at the time. This explains why NUMERIS, the French ISDN will be available worldwide as early as 1990.



Alcatel E10: the key to ISDN deployed in France

The main applications of NUMERIS, either in service or under development, are in the following fields:

The written word:
—Archiving, document consultation
—High speed facsimile
—Electronic mail

Sound:
—Radio reporting
—Telephone conferences
—Recorded messages

Data transmission:
—Multi-site software development
—Transmission and updating of software
—Computer remote assistance
—LAN interconnection

Imagery:
—Photographic bulletin boards
—Updating Videotext bulletin boards
—Transmission of medical imagery
—Remote surveillance, verifications
—Remote multi-site video publicity
—Remote teaching
—Video telephony

A Simple Card Change

When an Alcatel E10 uses CCITT SS7 signalling, is equipped with Subscriber Digital Access Units (CSN), and ISDN software has been introduced into the system control, the introduction of ISDN service to subscribers is carried out by a simple, low cost card change.

Connection of an ISDN subscriber is carried out by insertion of a subscriber card into an equipment rack in the switch. This card can either replace a subscriber's analogue card, or be added to any number of these cards, since the analogue and ISDN cards are totally compatible.

It is this capacity for simple functional evolution within switches which lies behind the rapid expansion of ISDN service in France, since it is based on hundreds of Alcatel E10 switches already in service.

ISDN – A Commercial Reality

At the end of 1987 the use of Alcatel E10 allowed France Telecom to launch the first commercial ISDN service. This service has been operational in Paris and its surrounding region since the autumn of 1988, under the name of NUMERIS.

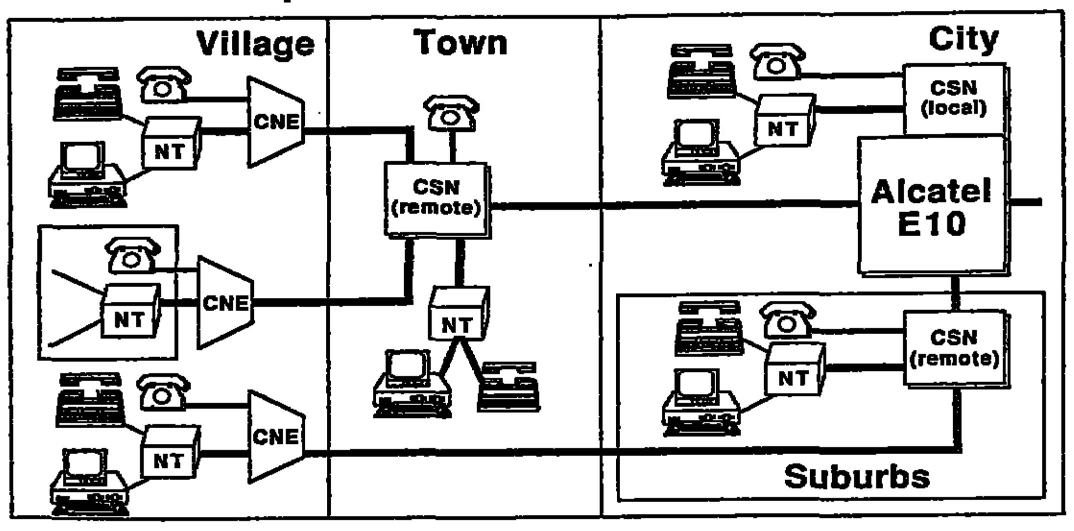
The service will be extended to the principal cities in France during 1989; national coverage will be attained in 1990. Starting in 1989 the Alcatel E10 will be used for a pilot network in the Republic of Ireland.

THE SUBSCRIBER DIGITAL ACCESS UNIT (CSN)

The Subscriber Digital Access Unit (CSN) is the subscriber connection unit of the Alcatel E10. Based on the experience gained with preceding generations of equipment, it is designed to optimise distribution networks.

The unforseen profusion of new services and the progress towards ISDN, is allowed for by a significant increase in computing power and signalling capacity.

Optimization of the local network



Unique Characteristics

The CSN is either equipped with the connection and control subsystem acting as host exchange or remote from the switch. In both cases it is connected to them by standard PCM links using CCITT SS7 signalling. Local and distant CSN are thus identical down to the physical interface.

The CSN is made up of basic concentrators, which can in their turn be remote from the common element of the CSN which contains the control module and a communication network. These remote concentrators are known as Remote Digital Concentrators (CNE).

They are linked to the CSN by means of up to 4 PCM links. This decentralisation of the subscriber distribution network on two discrete geographical levels permits optimisation of subscriber access in any type of habitat. It avoids the need for additional multiplex equipment or long physical line pairs, and brings the same services to all subscribers.

The CSN in addition, functions on an autonomous basis. If the links with its host switch are disrupted, it can act as a local exchange and maintain communications between all subscribers who are connected to it either directly, or through CNE's.

All the software of a CSN, including that of its remote CNE units can be downloaded automatically over links with its host switch. This feature is routinely used to update the subscriber translation tables in distant CSN, and for the installation of updates to CSN software.

The CSN is a mixed facility, which is to say that it can connect analogue and ISDN subscribers in any mix as the need arises, since the relevant subscriber cards are interchangeable.

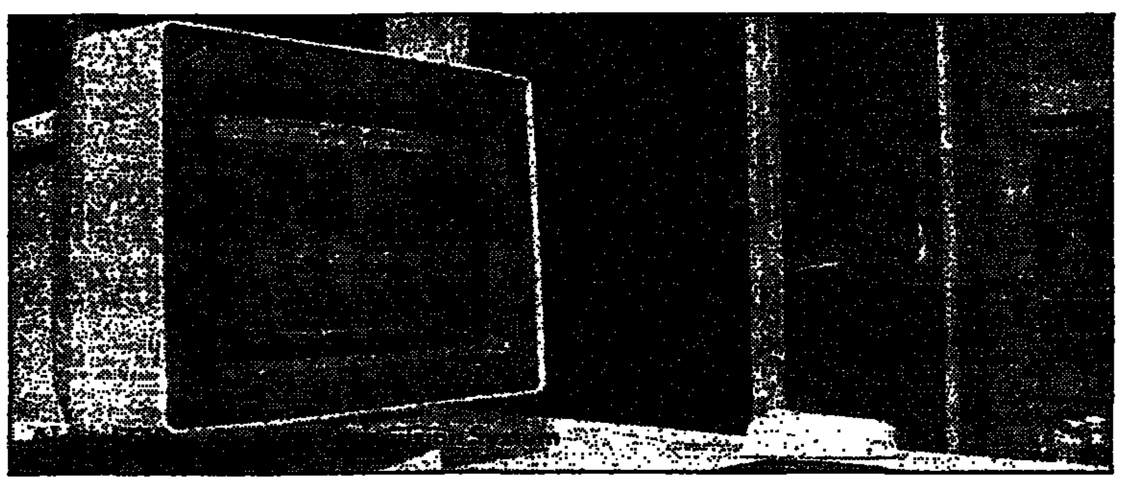
The CSN can switch automatically back-up subscriber interfaces circuits in case of failure, without subscriber service being affected.

This automatic replacement avoids urgent interventions on remote sites which can be replaced by periodic visits.

There is no traffic concentration on subscriber cards, cutting out the need for traffic loads balancing at the input of an exchange.

The CSN physically connects over 5000 subscribers by means of the 20 basic concentrators with which it is equipped, each of which can connect up to 256 analogue subscribers, 128 ISDN subscribers or any mix.

The CSN is connected to its host switch, that is to say to the connection and control subsystem of an Alcatel E10 exchange, by up to 16 PCM links. CNE are connected to the CSN by up to 4 PCM links, depending on the traffic and the grade of service required.



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MANAGEMENT: Marketing and Advertising

Sponsorship in Japan

Benefits of keeping an eye on the ball

The fortunes of Orix Corporation have become tied to its baseball team. Robert Thomson explains why

After buying the Braves, public awareness of Orix leapt from 25 to 85 per cent

The Japanese salaryman knows his baseball. After the pre-breakfast briefing on Fuji TV, there's the sports pages and the sport papers. There's the nightly live telecasts, and the whole gamut of post-game activity – the replay of replays and the stern-faced analysis. The salaryman, as he is called in Japan, knows more about Hara's batting average and Kuwata's strike-out rate than he does about Takeshita's tally on the Recruit scandal scoreboard.

The prospect of that loyal audience, and of coverage on a grand scale has made baseball an irresistible investment for the image-conscious company. Having sponsored a Hawaiian golf tournament and a Japanese tennis player, and contemplated backing marathon runners, Orient Leasing wanted a deal that would give the impression of being more than just a leasing operation, albeit the largest of its kind in Japan.

After a hint last year from the Hankyu railway company that it was tired of bankrolling the loss-making Hankyu Braves baseball team, Orient Leasing bought the team, changed the name to the Orix Braves, and then, a month ago, formally changed the company's name to the Orix Corporation. Research showed that about 25 per cent of Japanese surveyed knew of Orient Leasing before the baseball connection; immediately after the purchase, 85 per cent recognised Orix, and the figure continues to rise.

"It has been a tremendously effective result. Almost 100 per cent of people recognise the name Orix," says Toru Yamagishi, who headed the company's programme and is a general manager of administrative affairs.

"Owning the Braves has made a great difference to the way we do business. In the past, when one of our sales people went to a company he had to explain that we are such-and-such a company and describe our area of business. Now, there is no need to say such a thing. We get down to business straight away."

Such recognition is crucial in Japan, where potential corporate customers insist on knowing a company's breeding and its place in the greater scheme of corporate things. The problem for Orix now is to ensure that the team, which has surprised most salarymen by leading the Pacific League competition, keeps on winning – a loser image would be bad for business.

The company had planned the corporate name change before buying the Braves, but bringing Orix into the world on the front of a baseball uniform seemed like a good idea. Yamagishi says a few directors were concerned that buying a baseball team might damage the reputation of Orient Leasing, founded in 1964.

Other executives were not keen on the name Orix, but the need for a change was agreed, partly because consumers sometimes confused the company with Orient Finance, Japan's most profitable consumer credit company.

(An unfortunate slur on the name Orient Leasing occurred on hoardings written in katakana, one of the three Japanese scripts. Due to the use of similar and sometimes misread characters, the signs were thought to be advertising not "Orient Lease" but "Orient Sauce".)

Landor Associates International, the US-based design consultancy, was hired to devise an identity package. It provided a shortlist of new names, which included Ascend, Finex, OLC, and Orio. Japanese companies like to have names that embody a certain profundity, and so the "Ori" stands for "originality", while the "x" symbolises "flexibility, diversity and excellence".

Like many Japanese companies, Orix is attempting to exploit the leisure boom driven by growing individual wealth, shorter working hours and longer holidays. There are plans to build two hotels, three golf courses, a condominium, and ranches in a 90 sq km site in Hawaii.

Still, the company depends on the leasing business – office equipment, industrial machinery, and transportation equipment – for about 60 per cent of sales, while instalment credit and loan business comprises about 30 per cent.

The baseball-driven public image inspired Orix to tap the consumer market more directly, which has happened already with the usual range of baseball souvenirs. On a grander scale, the company, not afraid of mergers and acquisitions, has bought into a carpet maker, Toshiki, now known as Orix Interior Corporation. Orix Auto Leasing (née Orient Auto Leasing) and Orix Credit Corporation (née Family Consumer Credit Corporation) are also cashing in on the reflected glory of owning a baseball team.

In the years after the war, baseball teams tended to be owned by newspapers, railway companies and entertainment corporations. Railway owners figured that fans would take trains to the games, and that the publicity would be useful to their plans to develop sites around railway lines and terminals.

The Braves were formed in 1936 and are based near Osaka, and, under the sale conditions, the team had to keep the name Braves, the same home ground, and the same coach.

The 12 professional baseball teams in Japan do not often change hands, but during the off season, the Nankai Hawks, named after another railway company, were also sold, and became the Daiei Hawks. That team, bought by the country's largest supermarket chain, was moved from Osaka to Fukuoka, on the southern island of Kyushu, suggesting that brand allegiance is more important than home-town support in Japanese baseball.

Getting the right name on the players' uniforms has been a problem for some team owners. Nippon Meat Packers Inc owns a team called the Nippon Ham Fighters. Others include the Lotte Orions, owned by the Lotte confectionery company, and the Taiyo Whales, which belongs to the Taiyo company that made its name in fishing. The most loved and hated team is the Yomiuri Giants, owned by the Yomiuri newspaper group.

According to Yamagishi, Orix has cut its advertising budget because owning a baseball team means that the company's name is in the paper every day. He estimates that it costs at least Y2bn (£9m) and probably as much as Y4bn annually to run a team, and, for Orix at least, there is no immediate pressure to make a profit on baseball. About 8 of the 12 teams claim to be at least breaking even.

"By itself, the team is a losing proposition, but we are thinking about the whole company. It is the impact on the overall image that we watch. Everybody has said that the purchase has been a great idea," Yamagishi says.

Orix is trying to build attendances at the team's games, and likes the idea of cultivating Braves fans early. As Yamagishi explains: "We have formed a children's supporters group. We have a new song and a new uniform. We are trying to encourage television companies to broadcast more of our games."

The conversion of children may take time, but the stock market, always looking for a good excuse to bounce around a share price, is already watching the results of games closely. A British analyst based in Japan reports that turnover of the company's shares increased significantly after the Braves purchase. Curiously, the share price has risen in the last week or so, even though the front-running team has been on a losing streak.

Sketchley's 'golden egg'

Philip Rawstorne on the services group's reinvigorated marketing

Three years ago, a salesman for Sketchley Services got an average of five minutes in which to make his pitch for a contract for workwear rental and cleaning. Today, the salesman's interview with a prospective customer lasts an average 45 minutes.

Over the same period, the conversion of appointments into sales proposals has increased from 1 in 10 to 1 in 2 and the conversion of proposals to new business contracts, from 1 in 10 to 1 in 5.

Since 1986, new business has grown by nearly 50 per cent a year – from £1m to £3m.

This growth has been hatched from what Sketchley's group managing director, Tony Coles, calls the company's "golden egg" – a computerised customer database linked to a vigorous telemarketing operation.

In 1986-87, when Sketchley was shedding operations in the US and Canada which had been causing it problems, it also began to devise a strategy to strengthen and expand the range of its consumer and business services in the UK.

The first decision it made was to invest £200,000 in building a central computer database, providing a detailed profile of every Sketchley customer and prospect. In it now is stored information on 240,000 businesses – company names, addresses, post codes, and telephone numbers, the names of senior executives, the size of workforces, the kind of business activity, new factory or office building projects, and current service contracts held by Sketchley or its competitors.

By the end of this year, the database is expected to cover 300,000 businesses, 55 per cent of them commercial, 45 per cent industrial.

As it started to get a better picture of its customers' needs from the database, Sketchley began to review the way in which its salesforce was trying to meet them. It looked first at Sketchley Services' sales activity in the £150m workwear market.

The company claims a 30 per cent share of the market but faces strong competition from several big rivals – Initial, Spring Grove and Johnson – as well as a host of smaller companies.

Steven Garner, then newly-appointed as sales and marketing director, says: "We found the sales methods we were using quite inappropriate."

Customers had to make high value, high risk decisions which took time. A workwear contract may not cost much per employee but the average package totals around £12-15,000 and, for a company such as Ford, can run into several millions.

Changes in company practice in this field also needed careful handling to ensure they did not upset industrial relations.

"We concluded that the only way we could sell to these customers was face-to-face," says Garner. "Relationships had to be established in which our salesmen were regarded as consultants, analysing the customers' problems and proposing solutions."

What was happening in practice was that Sketchley's salesmen were making their appointments by "cold-calling" – knocking on doors on a particular trading estate, for instance – and trying to sell the service, mainly on price, at short notice and in a brief interview.

> Sales activity could be constantly monitored and fine-tuned

Sketchley decided to put together a 16-strong central telemarketing team, with access to the computer database, to work with the sales force by making appointments for it. The benefits were immediately apparent, says Garner.

Sales campaigns were more precisely focused and controlled. From the database, lists of prospective customers could be extracted by town or region, by activity or by size, according to the targeting strategy.

Using these lists, each telemarketing operator made around 65 calls a day to identified decision-makers in the customer companies. Salesmen found they not only got more appointments, but 20 per cent more time in their working day to do their selling.

Sales activity could be constantly monitored and fine-tuned to step up the pace or ease it, providing a more consistent flow of business and better stock control.

The success of the initial database telemarketing for the workwear company persuaded Sketchley last December to extend the operation to cover more companies within the group. By February, the telemarketing team, based in Nottingham, had been expanded from 16 operators to 60. It now makes some 3,500 telephone calls a day, supporting some 90 salesmen for six companies across the country.

Garner, himself, has been transferred to Sketchley Vending, which claims 10 per cent of the £500m drink and food vending machines market. Telemarketing has already resulted in a significant improvement in the "quality" of the appointments the salemen make, he says.

Sketchley Dry Cleaners' commercial division reports that 75 per cent of telemarketing calls are leading to sales presentations.

Though closely linked, the database and telemarketing operations are being run by separate managers. "It requires different management skills to develop them and give us the greatest possible flexibility in their use," says Coles.

The database – at an operating cost of £90,000 a year – is now being used for an increasing variety of purposes. All Sketchley's companies can feed information into the database and extract from it whatever they need for other marketing campaigns. It is being used, for example, to manage the group's sponsored annual nationwide golf championship for 2,500 teams from customer companies – and to follow up the business leads that it generates. Last year it brought in £1m of new business.

The group is using it for market research and personalised direct mail shots; for building business from existing clients for other group services; for monitoring competitors' activities as well as improving its own.

Sketchley's database capability, together with its telemarketing expertise and software, may yet form the basis of another commercial venture. "We are now considering whether we can find customers outside the group for some of the services we have developed and found so valuable ourselves," says Coles.

There's no star like an old star

Nigel Andrews wraps up the Cannes Film Festival while Ann Totterdell reviews other London openings

Anyone who second-guessed the Cannes Film Festival jury this year deserves a degree in Higher Palmistry. As the Cote d'Azur town performed its annual closing-night production number — men dressed like penguins thronging up the steps to the Palais des Festivals accompanied by women wearing brainstorms from Paris — we all expected one of the following to win: *Jesus Of Montreal* (Canada); *Do The Right Thing* (US); or *Time Of The Gypsies* (Yugoslavia).

Each was a fancied Golden Palmer: each has been mentioned in dispatches on this page. Instead — astonishing — the gilded frond wrapped itself around Steven Soderbergh's *Sex, Lies And Videotape*. This American debut feature, noted by me last week, lightly diverted festivalgoers with its black-comedy tale of a home-video fiend (James Spader) who likes to record women's sexual confessions. The film is tart, tripping and intelligent. But it is far too lightweight, surely, to deserve the film festival year's top accolade.

Since it won the Best Actor prize too, for the dapperly comic Mr Spader, we must assume that a jury including Wim Wenders (President), Sally Field and Peter Handke is such a bizarre blend of pretty faces and piercing brain-cells that anything could happen. Like a Best Actress prize to Meryl Streep in *A Cry In The Dark*, her worst performance since *Plenty*. (This award was roundly raspberried by the audience.) Or like a shared Special Jury Prize between a goodish French film, Bertrand Blier's *Trop Belle Pour Toi*, and an outrageously sentimental Italian one, Giuseppe Tornatore's *Nuovo Cinema Paradiso*. The latter was the Competition's second Italian movie about a crumbling movie theatre and its nostalgia-washed personnel. (The first was Scola's *Splendour*.)

We must, however, applaud the Best Director prize to Yugoslavia's Emir Kusturica for *Time Of The Gypsies*. Kusturica also collected the prestigious Roberto Rossellini Award for three wonderfully innovative films to date, including the 1985 Golden Palm winner *Father Is Away On Business*.

Best Actress prize: Meryl Streep for her role as Lindy Chamberlain in "A Cry In the Dark"

And moist eyes, please, for Gregory Peck. Escorting his latest film *Old Gringo* into town, he was met on the prize-night platform by Yves Montand. "For you, mon cher ami" burbled Yves, handing Greg a lifetime achievement award. "We are both old gringos" mused Greg aloud (Yves looked less than delighted at this) and clasped the strange-looking bronze to his breast. Applause burst out: standing ovation: in Moviedom there is no star like an old star.

The festival's final days fell into merry disarray. It is ever thus at Cannes. As closure approaches, critics hurtle round town like pinballs, propelled by the cries of colleagues: "You must catch the last showing of X, Y or Z." Here are three last showings I gratefully caught. May each film soon come to Britain.

Santa Sangre. Alejandro Jodorowsky, weird genius of yesteryear (*El Topo*), returns to cinema with a fantastical tale of love and death. A boy with magic powers, a woman with no arms, an elephant's funeral: all mixed up in a pot-pourri that resembles *The Hands Of Orlac* crossed with *8½*.

Malpractice. Riveting docu-drama from Australia, in which things go wrong for a woman rushed to hospital to give birth. Director Bill Bennett hauls us through this fictional but research-backed case history, from delivery-room to court-room, using improvised script and inspired acting. Everything you wanted to know about maternity and malpractice but were too terrified to ask.

Kuarup. From Brazil's Ruy Guerra, a film like a speeding express train. It only occasionally derails as we follow our lapsed priest hero through church, jungle and torture rooms, as 10 years of Brazilian political tumult (1954-64) unfold. The worst of the movie is chaotic, the best has a savage exoticism worthy of Herzog.

★

Back in Britain, audiences may see the film that created more emotion than any other at Cannes. Ushered in by raking searchlights, martial music and Omar Sharif, it opened the festival. It is *Lawrence Of Arabia* (PG, Odeon Marble Arch).

You last saw it 27 years ago as a modest magnum opus that lasted, after cuts made by producer Sam Spiegel, 200 minutes. Now director David Lean and film-restorer Bob Harris have stuck back a missing twenty minutes, re-edited the film and re-dubbed much of the dialogue.

The soundtrack, re-vamped for Dolby, now washes over us like a tidal wave. And the images, shot in the lost splendours of 70-mm, should make the home-video generation sit up and scream in amazement. "But we never knew cinema could be like this!", they will bleat hopelessly, as sweeping deserts embrace their vision; as a hundred camels perform a synchronised swaying routine; as Peter O'Toole's blazing blue eyes burn holes in our popcorn; or as the close-up of a lighted match doused by Lawrence's fingers yields — in the most famous "cut" in film history — to a rouge desert sunset as vast as time.

All this plus a literate script: we are shockingly spoiled. Writer Robert Bolt never bettered this portrait of a monomaniac with designs on history. His Lawrence grows from verbal dandyism in the British Army map-room ("May I ignite your cigarette?") to swirling heroism in the desert ("We have taken Aqaba") to a later, macabre delight in pain and death: his own pain, others' death.

This Lawrence advances through a dozen subtle phases inked in, with a deep-blue tormented romanticism, by O'Toole. And around him the Middle East in the century's middle teens fills up with Sir Alec Guinness, Anthony Quinn, Jose Ferrer, Jack Hawkins, Claude Rains and Heaven knows who else.

How this preposterous spot-the-celebrity casting works I am unsure. It just does. (The secret must be in the selfless ensemble work.) Nor am I sure how we are persuaded to swallow the garish schmaltz of Maurice "Zhivago" Jarre's music. You recall the old schoolboy riddle: "When is a score not a score? When it's a Jarre." But here the transports of Monsieur Maurice have a coast-to-coast vastness to inhabit. They need the desert and the desert needs them. I defy anyone to watch the first shot in which the "Lawrence theme" washes over the infinite sandhills and not to crumble gratefully in delight.

Lawrence Of Arabia itself crumbles a little late on, when the story oscillates between our hero's increasingly dotty killing-sprees and some tangled politicking in Damascus. But by then we have seen the cinema's Past and it works. Magnificently; unforgettably.

If Lean's movie created most emotion at Cannes, Fred Schepisi's *A Cry In The Dark* (15, Barbican, Cannons West End) probably created least. Meryl Streep dons a pudding-basin black wig and Australian accent to play Lindy Chamberlain. Miss C, you recall, lost her baby to a dingo near Ayers Rock in 1980. At least she said it was a dingo. Others said she had taken executive action on the tot herself. The affair became a court case and headline news.

The film that created more emotion than any other at Cannes: the revamped "Lawrence of Arabia"

A Cry In The Dark performs the remarkable feat of making you not care either way. It treks through the tale as if on a fact-finding mission for a low-budget docudrama. Scenes of Miss Streep being unemotional in court — Miss Chamberlain's own refusal to show grief became a major plank in the prosecution platform — alternate with vox-pop scenes in which countrywide Australians voice their views in bars or gardens. (They are used like a Greek chorus.) Meanwhile Sam Neill as Lindy's husband, a Seventh Day Adventist preacher, copes with dialogue like "There has to be a reason" and "I don't know what God wants any more."

Under-directed and poorly structured, it is disappointing stuff from the film-maker who brought us *The Chant Of Jimmy Blacksmith* and *Barbarossa*. It is even sorrier stuff, alas, from Miss Streep. Incomparable when letting emotion seep slowly, unappeasably, through the pores of a role — as in *Sophie's Choice* or *Out Of Africa* — Streep can do nothing with a character whose impassivity in the face of tragedy was and still is a mystery. All that *A Cry In The Dark* achieves is to make that mystery seem less interesting.

★

Three years ago, writes Ann Totterdell, a comedy science fiction story about the residents of an old people's home in Florida who meet a group of aliens with rejuvenating powers made an unexpected impact not only on the neglected over 60s market, but, ironically, on the general public whose surprised enjoyment itself came out of the ageism the film gently attacked. At the end of *Cocoon* six of the characters (the oldest and most distinguished were Hume Cronyn, Jessica Tandy and Don Ameche) left the infirmities of old age behind in favour of health and near immortality on a remote planet. Whether their defection was an opting out or a symbolic ascent to heaven is a matter for interpretation. The latter theory ties the story's ends irretrievably. The former, favoured by the makers of *Cocoon: the Return* (PG, Odeon West End), regrettably opens up the whole situation to reappraisal.

The sequel's greatest handicap is that it has lost the novelty value and playfulness that let the original get away with over the top sentiment and fantasy. When the six space travellers reappear on earth for a visit their determined friskiness is more embarrassing than comic. Though the film directly addresses the question of whether the old people (all played by original cast members) return to their idyllic but cerebral alien planet or join the real world of families and physical pleasures — like dancing, swimming and eating — but also continue to grow old, does not convince. A subject that should be profound is somehow made deeply trivial by an inferior story line that relies too heavily on recycled ideas, and a flimsy sub-plot that exists only to employ a few younger actors.

Death seems to be on everyone's mind this week. In *Beaches* (15, Odeon Leicester Square) it figures as a dramatic device to rescue a flagging story. Even the irrepressible Bette Midler seems subdued by this low key saga of a childhood friendship that spans time and class — between a brash New York singer and a reserved San Francisco lawyer. Midler and co-star Barbara Hershey sustain each other through the worst, usually romantic, moments of their lives, punctuating the changing decades with little more than slight adjustments of hemline and a few topical songs. It is obvious that the story is going to meander along indefinitely unless one of them is disposed of, and the end comes with a decorative illness and plenty of time for tearjerking farewells.

There is nothing pretty about the predicament that executive type Robby Benson and his girlfriend (Tawny Kitaen) blunder into in *Crack in the Mirror* (18, Cannons West End). Compressing the action — the (comparatively) innocent propulsion into full scale cocaine addiction and incriminating dealing, as well as a gang war — into a two week period results in inconsistencies and a pace too fast for clarity. This cautionary tale is not very big on answers; Benson, who directs as well as stars, treats it as a piece of aversion therapy, though it is all too hectic to serve its purpose well. However, his handling of the scenes involving Tony Gillan as an apprentice gangster show an excellent comic touch that promises more prestigious things for both of them.

Just as the 1960s did not swing quite so excitingly beyond Central London, so the ideals of much of American youth must have been acquired second hand. For small town boys like Scott and Ralph (Kiefer Sutherland and Robert Downey Jr.) in 1969 (15, Cannon Panton Street), pacifism and hippie clothes start as barely modern fashionable passports to a good time; even campus unrest is a non-starter at their college. But first everyone is just playing at politics, including Scott's hawkish father (Bruce Dern). Only when Ralph faces the draft and Scott's brother is killed in Vietnam do the issues really challenge them.

Unfortunately Ernest Thompson's over-leisurely direction is an inadequate preparation of the film's pivotal final moments when the unlikely prospect of a whole community being politicised by the speech of one boy almost swamps the interesting moment when fuzzy attitudes become real convictions.

Alastair Muir

Fiona Shaw

As You Like It

OLD VIC

Four years ago, Fiona Shaw was a funny, devoted Celia (to Juliet Stevenson's Rosalind) in a Royal Shakespeare Company revival that described sisterly love in a wintry Edwardian secret garden. Usurping the chief role in Tim Albery's Old Vic version, Shaw's mercurial, unsentimental playing now charts the awakening of Rosalind's sexual personality in the context of a fulfilling adventure in Arcadia.

This exciting, cumulative performance is meticulously worked out from the opening listless lolling at the court of Duke Frederick to the confidential delivery of the final epilogue. While uncovering what is attractively masculine in her femininity, this Rosalind also blossoms into a figure of androgyne elegance. Restrictive mauve corsets are exchanged for loose cords, collar-less shirts and jackets cut in the latest sylvan fashion.

All that traditional clobber of travesty, drag and pantomime boy coyness is at a stroke obliterated. Rosalind's physical ease in Arden becomes part of her interventionist maturity in the lives of others; the infatuation with Orlando takes its proper place in the forest, its power measured against the passions of shepherds and swains, among whom Simon Roberts and Polly Walker are the best Silvius and Phoebe I have seen. A chance encounter with Jaques while washing shirtless in the stream is the only serious threat to Rosalind/Ganymede's near genderless impregnability, as well as an effective new joke.

The stream runs at the bottom of a sunken ditch, a space-consuming feature of Antony McDonald's spectacular but essentially awkward design. The first act court is another exercise in the New Expressionism, red paint daubed on angled black walls, a tilted floor, harsh and arbitrary lighting changes, Rosalind and Celia pinioned on a suspended bridge against a dark prison.

The wrestling match (staged by TV wrestler Jackie Pallo with a full complement of neck throws and rabbit punches, and an accidental knock-out) is the jolt of experience Rosalind needs. The idea of mannish disguise invades her like a virus.

On arrival in Arden, we find a rocky, barren terrain marked off with false proscenium arches, a clump of fir trees and a stuffed elk. During Orlando's swearing of a romantic correspondence, the picture frame arch is revealed covered in childish paintwork and a dominating graffito, "These trees shall be my books." The place is a scrubland, a remains of Arden, a frozen memorial. But *it is enough to activate the* participation of Rosalind and the solicitous, sweetly observant Celia of Helen Cooper.

I always expect to find, one day, an Orlando for whom Rosalind's powers of erotic suggestion are altogether too much. Adam Kotz keeps him on the besotted straight and narrow, an indication that the real excavation on this production has stopped with Miss Shaw and the rather woolly conceptualised setting.

It is never clear, for instance, how Sylvester Morand's ripely benign Corin fits in as anything but a post-Arcadian survivor. And the court exiles, led by Ronald Hines's suavely dull Duke Senior, are less a community abroad than part of an overall mix-and-match fixed vision. Karl Johnson is a huffily acidulous Jaques, David Cardy a livewire Cockney Touchstone; these performances are at once refreshingly unadorned and fatally undernourished.

Where you would expect from Albery and McDonald a triumphant masque, Rose English's blindfolded Hymen can only totter uncertainly into the ditch holding an uprooted tree as a symbol of reason. This messiness round the edges extends to a failure to define the political nature of the play, and the pace flags badly in that first hour. What looks like a very expensive staging experiment definitely has its moments, though. And the central performance is not to be missed.

Michael Coveney

The Fisherman

ROYAL COLLEGE OF MUSIC

Four sinister figures in full evening dress and blood red gloves file silently on to the *stage and with a symbolic* lifting of their hands raise the curtain — an opening gesture of undisguised artifice that aptly sets the tone for this operatic version of Oscar Wilde's short story. *The Fisherman* is an ideal skeleton of a tale, on which a composer might graft the flesh of his music.

For all that, setting Wilde to music does require some skill. That it can be a rewarding task Richard Strauss was one of the first to testify and it is good to note that this young team — the composer Paul Max Edlin, a recent graduate of the Royal College of Music, and his librettist, Jonathan Kreeger — have also managed to turn the economy of Wilde's style to their advantage. Their opera does not flag and keeps the next twist in the plot firmly in its sights.

At first, the atmosphere recalls Stravinsky's *Le Rossignol*: another fairy tale seen through 20th century eyes. There is a comparable attempt to seduce the ear in this score, too, with orchestration that leans heavily on harp and sensuous low flute, celesta and dense string textures, somewhat to the detriment of the text. The words were not always clear and the setting of them, though always vocal, did *not add greatly to their meaning*.

After the interval, though, the story turns to cruelty and the score thinned out accordingly. One sensed the composer feeling his way towards a genuinely theatrical style, with some success in the scenes involving the Merchant and the Emperor. To that extent it certainly helped that Jamie Hayes's production should have boasted such a confident use of the stage, its many silhouettes and rituals revealing how little "soul" there is in this story, which claims to be about nothing else.

Among the young cast none was inadequate and some were a positive asset. Donna Bennett sang with seductive beauty as the Mermaid and Simon Haynes wrestled productively with the music of the Fisherman. James Lockhart conducted. It cannot often happen that the Head of Opera at one of our music colleges is called upon to direct a work composed and largely performed by his students. Perhaps it should happen more regularly.

Richard Fairman

ARTS GUIDE

May 19-25

EXHIBITIONS

London

The Tate Gallery. Cecil Collins and F.E.McWilliam — retrospective shows side by side of two senior British artists. Both shows until July 18; McWilliam sponsored by Ulster TV.
The Whitechapel Gallery. Sean Scully — a selection from the work of the past six years of a painter, Irish born, British educated and now naturalised American. Until June 25, then on to Munich and Madrid.
The Barbican Gallery. 100 years of Russian Art — a curious exhibition drawn from private collections in Russia, itself something of a surprise. Until July 9.
The Royal Academy. The Royal Treasures of Sweden 1550-1700. Daily until June 18; sponsored by Gamlestaden.

Liverpool

The Walker Art Gallery. La France: Images of Women and Ideas of Nation — second showing of the South Bank Centre's bicentennial celebration of the Revolution. Ends June 11.

Paris

Carte Musées et Monuments sold in museums and Metro stations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Closed Tue. Late opening night Wed. Ends June 26 (42895410).
The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.
The Louvre. Les donateurs du Louvre. An exhibition celebrating the generosity of donors to the museum in 1,200 square metres of space created underground for temporary exhibitions. 12am to 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.
Galerie Schmit. French masters of the 19th and 20th century. 396, rue Saint-Honoré (42603686), closed lunchtimes and Sundays, ends July 19.

Amsterdam

Van Gogh Museum. Prints, drawings and gouaches illuminate the work of Gauguin's followers who banded together under the name Les Nabis. Ends May 28.

The Hague

Museon. The World of Anne Frank sets Anne's life in the context of her time with more than 500 photographs and a video show. Ends May 28.

Brussels

Palais des Beaux-Arts. Art Deco in Europe. Tues-Sat, closed Mon. Ends May 28.

Berlin

Willi Baumeister (1889-1955). To commemorate the 100th anniversary of the German abstract artist's birth there are 140 works from all his periods. Until May 28. Nationalgalerie, Potsdamer-Strasse 50.

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. There are also works from William Copley's collection by Duchamp, Man Ray, Max Ernst and Rene Magritte. Ends July 2.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. Ends July 23.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.

Rome

Accademia di Spagna. The Mirós of Miró: More than 100 works by Joan Miró, including ceramics, drawings and watercolours and oils, which had been kept in the artist's studio in Majorca until his death in 1983.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son (ends Sept 4).

New York

Whitney Museum. The 65th in the long series of Annuals and Bienniales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.

Washington

National Gallery. More than 160 objects from the Fitzwilliam Museum in Cambridge include paintings by Titian, Guercino, Rubens, Van Dyck and William Blake. Ends June 18.

Tokyo

Idemitsu Museum. Ceramics from China. Splendid loan exhibition from the Art Institute of Chicago featuring carved ornaments, ceramic water pots and incense burners, and ranging from the neolithic period to the Qing Dynasty. Closed Mondays.

SALEROOM

Tissot record for news

"Reading the news", painted around 1874 by Tissot, which shows a chic young lady looking rather disdainfully at a Chelsea pensioner engrossed in his newspaper,sold for £879,718 at Sotheby's in New York on Tuesday to a private American collector.

It was an auction record for the French artist who worked for many years in London. The painting had sold twice previously in public, at Christie's in London, making just £304.10s in 1947 and £170,000 in 1983.

The auction totalled £8.26m ($12.9m.), with 26 per cent unsold, an Arab scene by John Frederick Lewis being the main failure. The interest in Russian painting was illustrated by the price of £703,775 paid for a family portrait by Repin, painted around 1898 in St Petersburg. It will hang next month in Roy Miles London gallery. Another exceptional price, and another record, was the £492,642 paid for "Siesta" by the Spanish artist Cordero.

Christie's silver sale was deprived of its top lot when the Cape of Good Hope Vice-Admiralty Oar, made by William Frisbee in 1806, was sold privately to South African heritage interests. Admiralty oars, like mayoral maces, were a sign of authority and first made in the 14th century. The Cape oar was sent out in the early 19th century to enhance the power of the colonial administration.

Top price in the silver sale was the £57,200 paid by Armitage for a George III gold goblet, probably made by Robert Burton around 1780, for Rogers of Wisdome as a present to his wife, who had provided a son and heir to the baronetcy after five daughters. How of Edinburgh paid £33,000 for an Omar Ramsden two handled bowl of 1936 which carried a £5,000 top estimate.

Another lot which far exceeded its estimate was a large Victorian two handled circular montieth made by John and Frank Pairpoint in 1895. It was expected to sell for around £2,000 but Koopman paid £24,200 for it. All told the auction brought in £786,962 with 12 per cent unsold.

Antony Thorncroft

FINANCIAL TIMES

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Thursday May 25 1989

Mr Lawson responds

INVESTORS IN the foreign exchange markets have pulled off a coup, freeing themselves of the increasingly feeble tutelage of the world's most important monetary authorities. The response to a soaring dollar should have been both a serious commitment of reserves and higher interest rates in Japan and West Germany. But that is not how it has worked out – at least so far. It has been the UK, already suffering from some of the highest interest rates in the Group of Seven, that has acted first.

The Chancellor cannot have enjoyed taking this decision. A further rise in interest rates, bad under any circumstances, can only be profoundly embarrassing in the run-up to the European elections. The Government may hope that mortgage interest rates will not rise *pari passu*, but that is unlikely, unless 14 per cent base rates prove temporary.

The next move in the game will probably be further monetary tightening both by the Bundesbank and by Japan. In that case it would be very difficult for the UK to avoid still further monetary tightening, with the prospect of 15 per cent base rates not at all remote.

Unavoidable decision

However unpleasant, the decision was unavoidable. The proximate cause was the weakening currency, the effective exchange rate for sterling having depreciated by 5½ per cent from the level reached in early December 1988. The weakness of the pound has been far more than a mirror image of the strength of the dollar. It is true that by yesterday morning sterling had depreciated to $1.56 from $1.82 at the beginning of the year, but it had also depreciated to DM 3.16 from DM 3.29 at the beginning of February. A 1 per cent rise in base rates was the bare minimum required to preserve the credibility of the Chancellor's exchange rate commitment.

Nor was the external value of sterling the only justification for action. It is true that some indicators – the estimated fall in retail sales last month and the state of the housing market, for example – suggest demand is responding to monetary tightening. In addition, the officially targeted monetary indicator, M0, is coming within its stipulated range. But these are fragile indicators of success. The performance of M0 must have been affected by higher interest rates, which encourage people to economise on cash. Meanwhile, inflationary pressures on the labour market are ever more visible in the continuing decline in unemployment (however welcome in itself), in current labour unrest and in the upward shift in pay settlements.

Costs and demand

The problem for the Government is that upward pressure on costs always lags excess demand. But this does not mean that those pressures can be ignored. On the contrary, a degree of overkill will be required to minimise labour cost inflation, with a strong exchange rate the best available instrument for that purpose.

The UK has at least attempted to heal its largely self-inflicted wounds. The same cannot be said of the monetary authorities of the US, Japan and West Germany. Exchange rate co-ordination appears to be in total disarray with the D-mark, for example, more than 10 pfennig above what had long been thought to be its upper limit.

It would be relatively easy to understand this development if one could see conflicts between the paramount objective of domestic price stability and that of exchange rate management. The Federal Reserve does, indeed, face such a dilemma. But the same is not true of West Germany and, above all, Japan. Both suffer from inflationary pressures and neither needs a period of renewed export-led growth. It is increasingly difficult to understand why monetary tightening has not proceeded further in West Germany and has not even seriously begun in Japan. The weak response of these two countries puts the credibility of the co-ordination process of the past four years in jeopardy. The major industrial countries are talking softly while being hit by a big stick.

Storming the Kremlin

THERE IS a whiff of 1789 about the opening today in Moscow of the Congress of People's Deputies. It is the first parliament elected anything like freely in Soviet history, and the regime has called it rather in the spirit of Louis XVI summoning the Estates-General. That is, it hopes that a new popular legitimacy can help it overcome the resistance of the privileged classes, and so deal with an economic and financial crisis which has become insoluble under the old rules.

The difficulty with such a stratagem, as Louis XVI found, is that an assembly endowed with popular legitimacy cannot be relied on to remain respectful of those who convoked it, or to confine itself to the agenda proposed by them. Admittedly there is good reason to think Mr Mikhail Gorbachev superior to the French monarch as a political strategist, but some of his lieutenants have lately been behaving in a distinctly Bourbon fashion.

Popular heroes

Crude attempts to discredit or intimidate opposition leaders have served only to turn them into popular heroes and to arouse a popular anger which is inimical to compromise and even rational discussion. The massacre at Tbilisi on April 9, and the promulgation of restrictive laws apparently intended to pre-empt the congress, notably on the right to demonstrate and on "crimes against the state," have also helped to polarise the public mood.

The election process, complex and long-drawn-out, aroused mounting excitement as people realised it could be used to express anger and the thirst for change. The deputies from Moscow, Leningrad and some other large cities owe their election directly to this mood. They will form an awkward squad clamouring for radical reform and for heads to roll – in alliance, at least initially, with colleagues from the Baltic republics whose main concern is to preserve their freedom to fashion their own reforms at home. Deputies from elsewhere, probably a majority, still owe their election to the old "feudal" system, but may feel obliged to follow the radicals in the heady atmosphere of Moscow, under the glare of live television.

On paper the congress should be little more than an electoral college, which would elect the new executive president (Mr Gorbachev, inevitably) and the 542 members of the new Supreme Soviet, or parliament, and then go home. Certainly its 2,250 members will be too many for a full-time working legislature, and many of them do not expect to play that role.

Matters of substance

But it is scarcely conceivable that men and women who have won a popular mandate, often in fiercely contested elections, will content themselves with a largely ceremonial function. At very least the procedure for choosing the Supreme Soviet will be hotly debated, and it will be surprising if the congress does not also insist on discussing some matters of substance. Clumsy attempts to railroad it or dissolve it prematurely could easily provoke a dramatic assertion of its own sovereignty – some kind of bicentenary tennis-court oath.

Parliamentary procedure, a largely unknown science in the Soviet Union, is about to assume great importance. Who has the right to speak, for how long, and on which subject? These problems are facilitated in Western legislatures by the existence of parties which can choose their own spokesmen and negotiate the distribution of time, but only the Communist Party may legally exist in the Soviet Union. One of the first battles the radicals will have to fight is for the right to sit and vote as a coherent parliamentary group.

Such procedural matters may sound frivolous in a country plagued by acute shortages, but the electorate is probably sophisticated enough to understand their importance. Certainly it will see through any attempt by supporters of the status quo to mount a populist critique of the democratic experiment. Even more certainly it will react with fury against any attempt at physical suppression or coercion of the deputies. From Paris in 1789 to Peking in 1989, experience has shown the futility, and the danger, of reverting to old methods once a new popular legitimacy is in being.

ECONOMIC VIEWPOINT

UK base rates in the world context

By Samuel Brittan

The 1 per cent rise in UK base rates was the least that could have been done to retain any policy credibility. By Tuesday night, sterling had fallen low enough, measured in any way one likes, to cast doubt on the Chancellor's anti-devaluation commitment or his expressed readiness to maintain interest rates high enough and long enough to bring inflation down.

It would have been better if yesterday's rise had been from 14 per cent to 15 per cent rather than from 13 per cent to 14 per cent. But at least the Chancellor reacted promptly to the threat to sterling. The base rate rise is likely to increase the retail price index peak towards 9 per cent this summer. But this will be an objection only for bird brains who measure inflation according to this volatile indicator, which oscillates perversely under the influence of mortgage rate changes going back a year.

The interest rate hike will lead to lower inflation numbers even measured in this way in 1990 and beyond. But that will be, if and only if, Mr Lawson can stick to his anti-depreciation strategy against pincer pressures from the more parochial kind of monetarists.

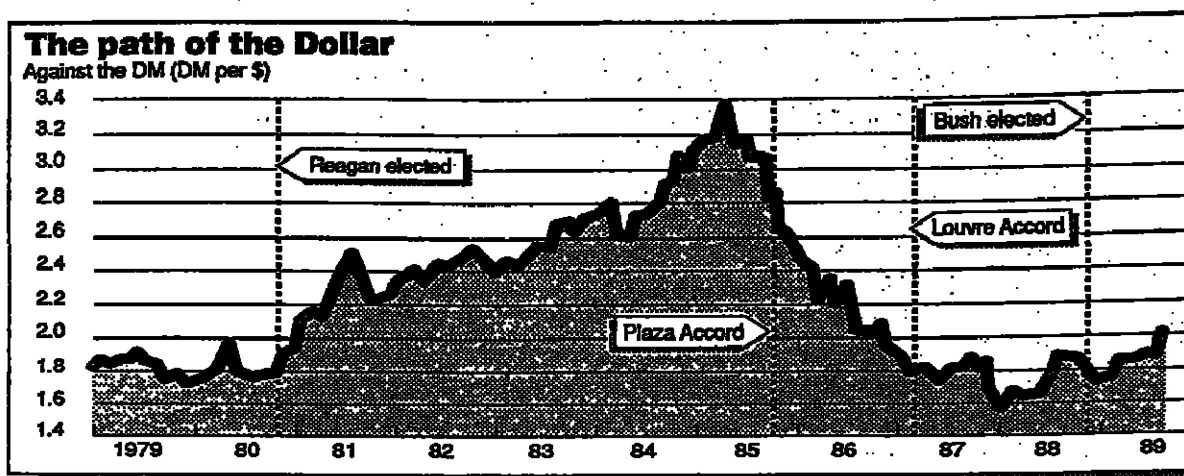
So far from there being a conflict between external and internal considerations, they both point in the same direction. One month's fall in retail sales from a very high level could turn out to be as insignificant as tomorrow's trade figures, which matter only as part of a much longer trend. A more serious indicator of domestic slow-down is house prices.

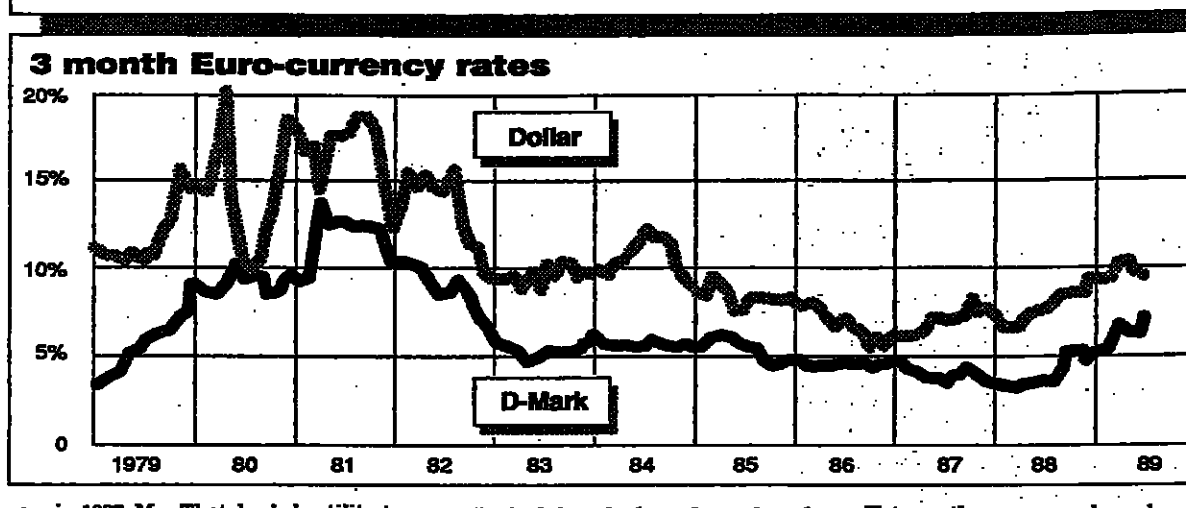
But the most worrying UK domestic indicator has been last week's labour market statistics. These show trend unemployment falling as sharply as ever, which is good in human terms but, in practice, a sign of increasing labour shortages, which go a long way to explain the upward creep of pay settlements, as well as the strike wave.

Unemployment has been a lagging indicator. But I have often had to repeat that some degree of over-kill or hard landing may be necessary in view of all the signs that the present level of activity – and not merely its rate of change – is above that consistent with stable, let alone falling, inflation.

It is, however, ridiculously parochial to see the British move outside the context of the sharp and unexpected rise in the dollar, which is exerting inflationary pressures in the other main industrial countries and contractionary pressures in the US itself.

It was only last autumn that Fred Bergsten of the widely cited Washington Institute for International Economics was advocating a dollar devaluation to DM 1.25 and Y 100. There were also heavy hints about the need for a dollar devaluation from the whole international economic establishment: the IMF, the OECD and even the forecasters of the US Treasury. And, of course, Professor Martin Feldstein was both advocating and predicting a major dollar fall. Earlier on, in 1987, Mrs Thatcher's hostility to the purchase of foreign exchange for the UK reserves was based on her belief that the US Administration would allow the dollar to plunge.





Germany shows the opposite set of paradoxes. There is a large, growing and seemingly unstoppable current trading surplus; and yet the D-Mark has been obstinately weak.

What such happenings demonstrate is how tenuous the connection is between a major country's balance of payments on current account and the market standing of its currency.

There is no way of predicting the extent and timing of financial market movements, although there are masses of rationalisations after the event. And just look at how threadbare these rationalisations are.

Some analysts look at the supposedly better recent US trade figures. Only a little while ago such figures would have been taken as a sign to sell dollars on the grounds that the Fed might be more inclined to loosen policy.

Another rationalisation is that it is all due to interest rate differentials. But over the last year and a half there has been very little change, for instance, in the difference between US and German short term rates. Both have risen by remarkably similar amounts, although in different phases. In fact the last interest rate increase was on the German side.

Yet another supposed explanation is that the growth of the US money supply has been slowing drastically on both of the main measures while monetary growth in partner countries has risen and is well above targets – even in Germany.

Yet the US hardly looks like a country suffering from ultra-tight money. The economy has been booming, at least until very recently, and is still a long way from recession. As in Britain, price and wage pressures are still rising under the influence of earlier excess demand.

At this stage some fall back on political explanations, such as the demoralisation in Japan following the recent corruption scandals or uncertainties about Germany's political direction. Yet most analysts know that such explanations are a confession of defeat to be used only if economic explanations fail. Currencies have prospered under far worse political clouds than any prevailing in Japan or Germany today.

The exact point at which the dollar starts to overshoot is anyone's guess. The purchasing parity rates have been estimated at around DM 2.0 and Y 150. These have come back into fashion with the discrediting of the balance of payments approach. But all one can be sure of is that the higher the dollar goes the greater the inflationary pressures outside the US and the greater the contractionary pressures in the US itself. In addition, the more vulnerable the dollar becomes to a counter-attack from central banks acting as stabilising speculators.

Intervention is hardly ever enough in itself unless accompanied by domestic action. This has to take the form of a tightening of monetary policy by the countries with the most important weak currencies, namely Germany and Japan, relative to monetary policy in the US.

The most difficult question is whether the emphasis should be entirely on tightening by Germany and Japan and related countries, or whether the US should make a contribution by some absolute easing in its own policy. There are, indeed, so many signs of rising inflationary momentum in the US itself in pay and prices – and so many political pressures for relaxation – that the Fed is right to hang tight until there is more definite evidence of an inflationary slowdown.

In any case, Germany and Japan need to tighten policy further. Their economies are working flat-out and inflation is beginning to creep up despite their hard money tradition. In the world as a whole, the pressures are still, on balance, on the inflationary side, as oil and commodity prices confirm.

The Bundesbank president, Mr Karl-Otto Pöhl, has not always shown the required leadership qualities – for instance, in having to be pushed into his last interest rate increase by a putsch from the backwoods members of his council. Nor is his campaign of denigration against intervention and target zones at all helpful – as if international monetary co-operation could work without at least implicit zones of this kind.

The odds, however, are that Japan will increase interest rates, after some inscrutable domestic processes, and that Germany will follow or accompany this rise. The Fed will probably ease up a little later.

However many times cynical central bankers say that the Plaza and Louvre agreements are dead, the world is, despite the inadequate leadership they are providing, fumbling its way towards a more managed currency system, which is quite consistent with market economics so long as individuals have a free choice in the currencies they use.

A timetable for EMS membership

Mrs Thatcher has thrown down the gauntlet, saying that she knows of "no one" who thinks that Britain should join the exchange rate mechanism of the European Monetary System until the inflation rate has been brought down. Here then are the thoughts of no one.

It would indeed be less than ideal to join the mechanism tomorrow with the standard 2¼ per cent exchange rate margin for fluctuation around the central parity.

Here are, however, three possible approaches which embody the substance of the British Government's commitment to join when the time is ripe (not incidentally "right", which must be a typographical error which has crept in to recent drafts.)

- Following the PM's own cue, the Government could undertake to join when inflation was down to a certain level – for example the Community or EMS average.
- There could be an undertaking to join by 1992 when the Single Market is supposed to be established or in relation to some other timetable.
- Britain could join with a wider margin.

Italy has a 6 per cent margin, which if used to the full gives a 12 per cent band of possible fluctuation. But in the British case it should be allied with a commitment to move to the general Community margin in the not-too-distant future.

Indeed the Italian and Spanish Finance Ministers have already been discussing arguments for a 3½ per cent margin for everyone. I had better not say which other Finance Minister they thought was listening to their discussions with interest.

Each of the versions comes in varying degrees of hardness. The inflation rate at which Britain would join could be defined in advance or left vague. The exchange rate for joining could be set now (which would help on the inflation front) or left unspecified.

My own favourite option is the wider margin one. Indeed I suggested it as early as 1979 when the Callaghan Government was still in office, only to be told that the EMS could never be sold to the Labour Party. But the Bank of England to its discredit then rejected with contempt any arrangement which put Britain on a level with Italy. A senior Bank of England official with shining prospects also took it upon himself the other day to pour cold water on EMS membership on a semi-public occasion.

Nevertheless it is partly as a result of the skilful negotiation of membership with a wider margin for Italy, by the former Bank of Italy governor, Mr Paolo Baffi, that Italy has achieved a lower rate of inflation than Britain and a higher growth rate – despite an horrendous budget deficit approaching 10 per cent of gross domestic product.

Which of the three options outlined for Britain is followed is less important than that one of them is. Any of them would be sufficient for the UK Government to be in on the follow-up discussions to the Delors Report which would, in practice, enable it to put a single currency Europe on to the back burner so long as it misguidedly wishes to do so.

But if all these compromise ideas are shunned, we will see a two-speed Community. The other members will then go ahead on their own to establish a union much more along the lines of the Delors vision. It will be a fate which the British Government will richly deserve, not only the Prime Minister but her colleagues who let her get away with it.

OBSERVER

Real Church Militant

■ The "trial" of Lord Mackay, the Lord Chancellor, yesterday may be the culmination of a power struggle within a church whose devoutness is not questioned, but whose influence is.

The Free Presbyterian Church, to which Lord Mackay belongs, is a lot more wee than the "Wee Frees," the nickname for the comparatively large Free Church of Scotland. The Free Presbyterians claim only about 7,000 members – all rigid observers of the Sabbath, who refuse to celebrate Christmas or Easter.

Although the core of its support is in the Highlands (Lord Mackay comes from Sutherland) and on the austere island of Lewis, it is not confined to Scotland. It has a mission in Zimbabwe, which is why the Rev Aaron Ndebele moderated yesterday's session.

The assault on Mackay began when an elder of a congregation at Barnoldswick in Lancashire, Roy Middleton, a librarian, spotted newspaper reports of his attendance at the Catholic memorial service of Lord Russell of Killowen in mid-1986.

The case was taken up by the Rev Donald Maclean, a Glasgow minister who is clerk of the church's synod and probably the most powerful figure in the institution. It was on his motion that Mackay was narrowly suspended as an elder last November. Since then Maclean has prominently defended the decision, which has spawned a flood of pamphlets from both sides. In the course of the debate, it has emerged that no other member of the church has ever been disciplined for going to mass – though it is claimed that several elders and ministers have done so.

Followers of the affair see it as an attempt by the conservative oligarchy, which has run the church for 20 years to fight off more moderate opponents – even at the risk of splitting the church. If a split takes place, there will be another issue: the future of the church's wealth which, thanks to generous endowments, is reckoned to be considerably bigger, on a per capita basis, than that of any other Scottish church.

Mr 4 per cent

■ According to the Bank of England's annual report today, the Governor's salary increased by only 4 per cent last year to £127,000. That follows the 22.5 per cent rise the year before which raised some eyebrows. It may also help to explain the Bank's current pay offer to its staff of 5.5 per cent.

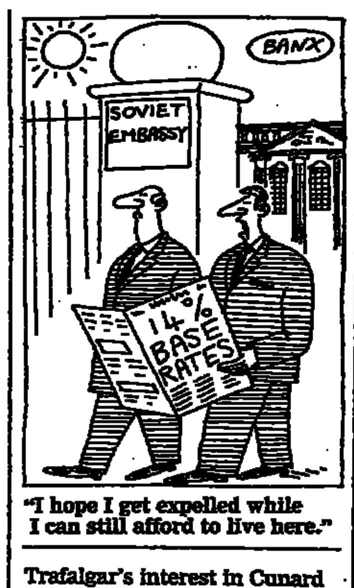
Ryan's rules

■ Tony Ryan, the man behind Guinness Peat Aviation, has broken one of his own rules and accepted a non-executive directorship. He says that the news might be faintly embarrassing because he has turned down so many offers in the past, though he is on the board of the Bank of Ireland in which he has a 5 per cent stake.

Ryan is going in with Trafalgar House for two main reasons. He likes the team and he thinks some of Trafalgar's interests are compatible with his own. There are only two other non-executive directors. One of them is Geoffrey Knight, who is also joint deputy chairman of Guinness Peat and who introduced Ryan to Sir Nigel Broackes, the Trafalgar chairman, four years ago.

It is the growth of the leisure industry that attracts him: "the biggest industry in the world by the end of the century," he says, "and possibly even now, depending on how you count it." He is drawn to Trafalgar's interest in Cunard and hotels.

For an Irishman he is remarkably unvoluble: not at all like Broackes. Indeed the nationalities could almost be the other way round. It will be the extrovert and the introvert working together: "sirloin and soufflé," as someone said yesterday. Ryan is 53, Broackes 54. Ryan is also pleased that he recently became a member of the European Round Table, which takes on overview of industry in Europe. He spends about one week a month in London.



"I hope I get expelled while I can still afford to live here."

Genscher Party

■ Hans-Dietrich Genscher, the West German Foreign Minister and deputy Chancellor, gives a party in style today. He will host a reception to mark the 40th anniversary of the Federal Republic's Basic Law in the Raphael Cartoon Court of London's Victoria and Albert Museum.

The Foreign Office will be there in force along with Nicholas Ridley, the Environment Secretary. Afterwards Genscher will dine with his British counterpart, Sir Geoffrey Howe.

There is just some slight disappointment, however, that the German Minister has not been invited for talks at No 10 Downing Street with the Prime Minister. It is not so much that Mrs Thatcher dislikes Genscher's approach to East-West relations, though she does. It is more that she sees him as the epitome of proportional representation. Genscher's Free Democrat Party changed sides from coalition with the Social Democrats to coalition with the Christian Democrats. The British Prime Minister does not approve of that sort of politics. Genscher would have liked to have seen her.

Albert's back

■ A famous footballer has returned to France in a new guise. Albert Gudmundsson – known usually as plain Albert – has played for Glasgow Rangers, Arsenal, FC Nancy, AC Milan, Racing Club de Paris and OGC Nice in his time. Since he went on to become Iceland's Finance Minister from 1983 to 1986, his new role is less of a surprise.

The former inside forward, now 65, has been appointed his country's ambassador to France, as well as to the Paris-based OECD. He will chair the meeting of OECD finance ministers next week, but has so far spent much of his time being welcomed back by his old football cronies.

Countdown

■ "Why was this year's May Day military parade in Moscow's Red Square led by 400 economists?" "Because they are the most destructive force in the Soviet Union."

John Elliott on Shanghai's expectant mood as China's power struggle unfolds

'We are waiting on Peking'

A medical student wearing a white coat and hat climbed a wire fence in front of Shanghai's gaunt grey National People's Congress building and laughingly teased a security guard, offering him an ice lolly and a soft drink. The guard worriedly eyed the student's fellow demonstrators and an officer marched sternly across the lawn. Then they laughed and turned away. The student stumbled to the ground and the crowd clapped and cheered.

A mile or so away on the Bund, Shanghai's waterfront, lined with imposing colonial style buildings from a more imperial past, heavy crowds pressed against the massive bronze gates of the City Hall, once the august Hongkong and Shanghai Bank. A group of students sang and clapped for an NBC film cameraman, while across the road an ancient but sprightly Chinese version of a western street busker entertained a crowd.

This was the scene in China's largest city and commercial capital yesterday as the population waited – with no army units anywhere in sight – for news from Peking. When it comes, the news will determine whether the crowds stay good natured and peaceful or whether a week's mass demonstrations, which have involved as many as 500,000 people in the past two days, turn angry. Wall posters threaten strikes, which could cripple the country's economy, if there is bloodshed on the streets of Peking.

"The government has lost the support of the people and must get that support back. People want democracy, press freedom and a clean government," said an experienced, though obviously anonymous, senior government official. "What happens here now depends on Peking. We are all waiting." People assume that the bitter power struggle between the country's leaders will end soon, following the decision of Mr Wan Li, chairman of the National People's Congress, China's parliament, to return to Peking from a visit to the US. They say that Mr Li Peng must fall and reforms must be promised or there will be more trouble.

"I am sure Li Peng must resign," says Mr Zhu Xing Qing, deputy editor of the radical, Shanghai-based World Economic Herald, which the government has virtually shut down. "And Deng?" – a long pause; then with a shy laugh Mr Li replied: "He should listen and get more information. He is so old; he should go to Tiananmen Square and listen to the people. He needs more real information about people and about the country's feelings".

Demonstration in Shanghai: Students hold up a poster of the Statue of Liberty during a protest against the imposition of martial law in Peking

Last month's government crackdown on the Economic Herald has made press freedom a prominent issue in this week's demonstrations here. There will be calls for the head of Mr Jiang Zemin, the city's Communist Party secretary and a member of the Peking politburo, if Mr Li Peng does go.

The paper was set up in 1980 to propagate reforms and has been strongly supported by Mr Zhao Ziyang, secretary general of the Communist Party andMr Li's main rival. But it fell into disfavour with hardliners last month after a tribute to Mr Hu Yaobang, the deposed former general secretary whose death on April 15 triggered the current unrest.

The Economic Herald called for a review of Mr Hu's dismissal and political career. Mr Jiang Zemin suspended the paper's veteran editor and appointed a government committee to vet articles. As a result the paper has not appeared since May 9. "They think we will inflame things and cause turmoil – but workers want democracy not turmoil," says Mr Zhu.

Student demonstrations have continued in the city since Mr Hu's death, fuelled by this controversy. But there also appears to be a consensus that the city's economy should not be damaged. This is especially important because Shanghai has only started in the past year or so to recover from the effects of a period of decline that stretched from 1949 to 1979, when it was being punished by Peking for its previous role as a centre of capitalists and intellectuals.

Now its leaders have strong links with Peking, which is encouraging it to re-emerge as the country's economic powerhouse. The city has been wooing and helping foreign investment, and overseas companies involved in Shanghai joint ventures are generally more happy than those in most other parts of China.

Three significant new US joint ventures are now being negotiated, Japanese companies are exploring tie-ups with local companies, and foreign loans and contracts are being organised for a mass transit railway system, airport extensions and a new bridge over the Huangpo River.

"Foreign investors must not be let down" is a slogan of Mayor Zhu Rong Ji, who was appointed from an economic vice-minister's job in Peking 13 months ago and has clashed with Mr Jiang Zemin. Last Monday he went on radio to rebut rumours that martial law was to be imposed following the departure earlier in the day of three ships of the US 7th Fleet from Shanghai harbour.

Mr Jiang also appealed for workers not to strike and for students not to go into factories to stir up trouble. On Tuesday night the city's trade union federation is believed to have decided that this is not the right time to call a general strike, which had been mooted to start from next Tuesday.

Strikes have been discussed by some individual groups of workers in government-owned factories and a wide range of industry has been disrupted by workers leaving early for demonstrations. Inherent problems of absenteeism and low productivity have worsened. But joint ventures say they are not affected.

"Workers are demonstrating in their time off, sometimes still wearing Volkswagen jackets, and we have heard of no problems from component suppliers," says Mr Burkhard Welkener, general manager of Shanghai Volkswagen. "We are operating as normal" says Mr Terry Ginty, general manager of Shanghai Yaohua Pilkington Glass.

No-one is quite sure what it will take to end the demonstrations. Mr Zhu says many students just want Mr Li Peng to go. "But they will want more later. If you don't change the system, another Mr Li will emerge" he adds, listing his own demands. "We must have direct elections for the National People's Congress and all people in the Congress must have full ability to express their views which they do not have now.

"We also need a new legal system to protect the freedom of the people. We have a constitution but not all the articles are carried out – see how they treat my newspaper. The marchers may not say all these things, but they are behind the ideas. I think Mr Zhao would start on this step by step though he might not want direct elections".

Meanwhile the crowds continue to build up in the streets. All round the centre of the city yesterday, different students and workers' groups were staging processions and demonstrations of various sizes, merging with vast crowds of onlookers.

In between bouts of slogan chanting on the Bund promenade, the main noise was a loud tapping of wood on wood as vendors attracted customers for their sludgy looking ice cream lollies sold from boxes on the backs of bicycles.

By night-time the crowds had swelled, filling the streets, as they did the night before. Only a rare policeman was visible. The students did all their own organisation and crowd control with smiles and jokes, clearing the way through hordes of onlookers by linking up in long lines holding ropes.

Their march moved slowly down Shanghai's main shopping street – Nanjing Donglu – past the stylish though faded Peace Hotel (once the Cathay) where a jazz band was harking back to the hotel's more glorious days in the 1930s, playing classics for a handful of tourists.

On the streets elsewhere in the city people clustered round wall posters. Many of these are produced by photocopiers, illustrating a so-far little noticed new aspect of this student uprising.

Electronics are making life easier for protest organisers, not least because the advent of direct dial phones and fax machines seriously undermines government attempts to block communications by putting bans on the content and distribution of newspapers, magazines and radio broadcasts.

Companies return to the equity market

Clive Wolman explores the factors behind yesterday's wave of rights issues

The flurry of corporate cash-raising exercises through share issues announced yesterday was remarkable not because it happened but because it has taken so long to happen.

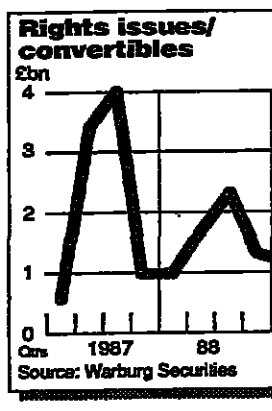
The £486m rights issue from RTZ, the £513m proposed share and convertible issue from Carlton Communications to finance its agreed takeover of UEI, and the £275m of shares to be placed and exchanged by Hillsdown Holdings knocked the share prices of all three issuers and contributed to a general fall in the market.

Since January most City analysts have been forecasting a boom in rights and other share issues. The upsurge in share prices since the New Year has, for the first time since the October 1987 crash, made it "cheaper" for most companies to raise money by issuing shares rather than by borrowing at ever rising rates of interest – at least that is what the conventional stockbrokers' calculations suggest. And companies' need for additional cash appeared to be growing stronger.

Most City analysts have forecast a boom in rights and other share issues

Figures from the Central Statistical Office show a steady deterioration since last autumn in the value of cash and short term securities held by companies in relation to their short-term liabilities. The most popular indicator of corporate indebtedness, the gearing ratio which measures debt as a proportion of shareholders' funds, currently stands at about 70 to 75 per cent, in line with the average over the last 15 years. But investment by companies in plant and equipment rose by 16 per cent in the first quarter of this year and there have been few signs of a cut-back in investment plans.

Yet the volumes both of rights issues and of new share placings have remained



depressed at only a third of their pre-crash levels. At the same time, companies have increasingly turned to debt as a source of finance, exploiting the gap created by the Government's repurchases of large tranches of its longer-dated gilts. They raised £3.5bn in debt issues in the first quarter of this year, a record high.

Why have companies shunned the equity market in favour of debt? One reason is that their capital structures have probably been much less dependent on debt than the official figures suggest. The CSO figures are distorted by the exclusion of overseas borrowings and assets and the gearing ratio uses accountants' figures based on long outdated values for many corporate assets. A more realistic measure of corporate dependence on debt is that of interest cover, how many times a company's interest charges are covered by its pre-tax profits or cash flow. That multiple is now more than five, compared with a long-term average of only about three.

In addition, the slow-down in economic growth should mean less need for capital to finance the holding of stocks, even if investment in new technology retains its momentum. And much of that investment can be financed by the steady increase in cash that companies are generating from their internal operations.

The notion that the costs of equity and debt can be compared by looking at the costs of paying dividends and after-tax interest has in any case been rejected as far too simplistic by many treasurers of large companies, even if not by stockbrokers. It fails to take adequate account of how a high share price effectively anticipates large future dividend increases. It also ignores the lower risk to the company of issuing equity rather than debt and the additional attractions conferred on equity by the UK's partial imputation system of corporation tax.

But more important, the traditional calculations do not take into account managers' fear that if their company sits on mountains of cash, it will become a target for a hostile takeover bid. Pressure from corporate raiders, greenmailers and other predators in the US has been largely responsible for the net withdrawal of $200bn of equity in 1988 and a forecast $250bn this year.

The US predators claim that more debt has increased the pressure on companies to cut out slackness and wastage in their operations and thus they have helped to boost the efficiency of corporate America.

UK managers have shown a stronger preference for the safety of equity

UK managers have traditionally showed a much stronger preferance for the safety of equity and remain subject to less shareholder pressure to act otherwise than their US counterparts.

Thus in spite of the low level of activity in the first five months of the year, most securities firms are predicting a pick-up in new equity and equity-related issues during the summer and autumn. Warburg Securities is forecasting that UK companies will raise a net £4bn in rights issues and convertibles during 1989 as a whole and another £4bn through share placings. But few believe that yesterday's issues will mark a return to mid-1987 levels, when new issues were running at an annualised rate of £27bn.

LETTERS

A PEG for the CAP

From Professor David Harvey.

Agricultural policies continue to cause problems in both Europe and America. There are three options:

- Cut support prices until domestic markets balance;
- Control production through quotas and acreage set-asides (the paid idling of land);
- Subsidise (dump) surplus production on saturated export markets.

Combinations of all three are used on both sides of the Atlantic in a desperate attempt to sustain domestic policies and the farm incomes they are designed to support. But they are also competing with each other to subsidise exports, depressing world prices and condemning the developing world to continued poverty. It is against this background that the current round of international trade negotiations (the Uruguay Round) under the General Agreement on Tariffs and Trade (Gatt) has agricultural trade at the top of its agenda for the first time.

There is an alternative which combines both quotas and price cuts.

Use quotas to support payments to a limited quantity of production for each farm. Anything which is produced over and above the limit will be sold at the going market price. Get rid of all the other apparatus of the CAP – and the costs and fraud that go with it. European market prices would then be world prices. Pay the support like the old British deficiency payment, from the Exchequer, as the difference between the market price and the support price for that limited quantity.

This is the Producer Entitlement Guarantee (PEG): alternative pegging support payments per farm.

This can be done as part of an international agreement to eliminate farm policies which depress world prices. If this is done, world market prices will be fair prices, not distress selling prices. Estimates are that world prices would rise by about 15 per cent on average – much more for milk, leaving wheat at about $85/tonne in the UK, or more with a stronger dollar.

The distribution of PEG limits can be used to direct public support towards people rather than products, and benefit smaller producers proportionately more than larger farms, on both equity and environmental grounds. Furthermore, converting present methods of support to PEG schemes would mean that farmers would get 100 per cent of the support directed towards them, rather than only a fraction at present.

In particular, the waste associated with offsetting other countries' policies, and the processing and storage of intervention stocks, would go under the PEG option. (This waste can be greater than 50 per cent of current levels of support.)

PEG limits should be set nationally, like the current EC set-aside scheme, and could even be varied by region. About 80 per cent of today's production could be covered without messing up the free market for the rest. That could mean 80 per cent of production for each farm, but it might be fairer to apply a uniform absolute limit per farm. (Larger farmers are more efficient, and able to compete at fair market prices, especially with a base line of PEG support.

If the EC uses its current budget spending on cereals, and shares it out among countries on the basis of production, it could afford to pay £29/tonne over and above the market price on 400 tonnes per farm for every cereal farm in the UK. This would fully maintain current support levels for 88 per cent of UK cereal farms.

The consumer burden of the CAP compared with free trade is approximately equivalent to a 15 per cent VAT on food – which would be eliminated under the PEG option. Current policy encourages farm expansion and intensive production practices to the detriment of the environment. Conversion to PEG would provide opportunities to reverse these tendencies. And the capitalisation of present support levels into land and other asset values would be reduced, allowing environmental land uses to compete more effectively with agriculture.

An important problem with the current negotiations for a more liberal agricultural trading system is the lack of any clear alternative policies which are both less trade-distorting, and which are politically acceptable at home. The (PEG) option is an alternative which deserves serious consideration.

David Harvey,
Department of Agricultural Economics, The University of Newcastle upon Tyne.

European union

From Mr Neville Beale.

As a signatory of the Treaty of Accession, Mr Edward Heath, the former British Prime Minister, is entitled to offer views on the future development of the European Community. But he is on unsure ground when he cites Sir Winston Churchill in support.

Churchill's offer of union with France in 1940 was a desperate attempt to persuade Britain's ally not to conclude a separate peace with Adolf Hitler. That offer was declined and never – I believe – repeated.

The impression is strong – reading Churchill's speeches about Europe after he lost office in 1945 – that he saw a "United States of Europe" primarily as a means to reconcile France and Germany. He appeared to suggest that the US and the UK guarantee that union from outside.

Certainly when Churchill returned to office in 1951 the British Government – with Mr Heath as a whip – did not apply to join either the Coal & Steel Community or the (admittedly abortive) European Defence Community. Yet both those were the forerunners of a process of European integration which has now advanced so far with the Treaty of Rome and the Single European Act.

Neville Beale,
Flat 20, Chelsea Towers,
Chelsea Manor Street, SW3

Bank borrowing blues in the hit parade

From Mrs Elizabeth Stanton.

Sir, In our original paper on the representation of the price of bank overdrafts ("Bank borrowing blues," May 20), we used Midland and National Westminster products as illustration. To complete the picture we have now made the following calculations to answer the questions raised at the end of the article:

The Lloyds Classic account offers a free overdraft to £100. Beyond £100 a £6 monthly fee is charged, along with a 1.7 per cent monthly interest rate. This is equivalent to an APR (annual percentage rate) of 40.9 per cent on a balance of £500, rising to 94.4 per cent on a balance of £150. (The average outstanding balance owed to members of the Retail Credit Group is £154).

The Barclays Interest account charges a £100 annual fee (or 2 per cent of the negotiated overdraft facility), along with a 1.725 per cent monthly rate. Assuming the customer overdraws each month, the annual fee is equivalent to a £0.83 monthly fee. This gives an APR of 25.2 per cent on a £500 overdraft balance, rising to 31.0 per cent on a £150 balance.

If the customer overdraws every third month, however, the annual fee is equivalent to a £2.50 monthly fee. This gives an APR of 30.2 per cent on a £500 overdraft, rising to 49.2 per cent on a £150 balance.

The American Express Optima credit card has a pricing structure identical to many bank overdrafts; the APR has to include the price of the original card as well as the Optima – total price £42.50. American Express declares an APR of 19 per cent on a balance of £2,500. On a balance of £500 that is 27.2 per cent, on a balance of £150 it is 54.2 per cent.

Current account overdrafts, bank credit cards and retailers' option cards are all commonly used to fund short-term borrowing and are directly comparable products.

Elizabeth M. Stanton,
Retail Credit Group,
2 Ridgmount Street, WC1

Consolidated Goldfields' proposal

From Mr Neil Moore.

Sir, It will be interesting to see how the Consolidated Goldfields board proposes to justify to its shareholders (of whom I am not one) the expenditure of £30m.

The net result of this has been to frustrate the wishes of a majority of those shareholders and reduce the market value to a level some 20 per cent below that of the Minorco bid.

Neil Moore,
Renby,
Eridge Green,
East Sussex.

FINANCIAL TIMES
Thursday May 25 1989

Crucial final test for glasnost

Soviet Union's super-parliament opens today, writes **Quentin Peel**

All the bunting of May Day has been hauled out again for today's opening of the Soviet Union's new super-parliament - the Congress of People's Deputies.

A whole set of new, but once-familiar slogans has been dusted off too.

"All Power to the Soviets," the slogan of the October Revolution, is about to be given a new test in the Soviet Union of 1989.

"Soviet power - the power of the people, and for the people," says a banner across Frunze Street. The question is why it does not say "by the people," too.

The event is the culmination of the dramatic, and often traumatic, election process of the past four months.

That has seen the process of glasnost - of ever more daring debate on politics and history - move from the pages of the press on to the streets.

It saw a large minority of radical, outspoken reformers defeat party stalwarts at the polls. Dozens of pillars of the party establishment, who had fixed themselves unopposed seats, found to their horror that the newly awakened electorate had discovered how to defeat them: by crossing out their names.

Now the crucial test comes: can the debates at the hustings be turned into legislative deeds? Will the tide of reform, which swept through the big cities, like Moscow, Leningrad and Kiev, but not through the backwoods, carry on through the Congress?

The election process has brought into the open the deep divisions within the Communist Party.

The bitterest has been the clash between Mr Yegor Ligachev, the most powerful conservative figure in the Politburo, and the popular figures of two crusading investigators of big-time corruption: Mr Telman Gdlyan and Mr Nikolai Ivanov.

Both were resoundingly elected in their respective constituencies, Mr Ivanov in the city-wide constituency of Leningrad, giving him the second largest mandate in the country after Mr Boris Yeltsin, the other darling of the radicals.

Kremlin guards parade before a billboard proclaiming 'All power to the Soviets' in Moscow's Red Square yesterday

The night before the polls, Mr Ivanov appeared on television with more than two dozen candidates fighting the seat. He was charged with attempting to split the ruling party.

"The split in the party has already begun," he declared. "I don't want to be in a party with people like Aliyev, Solomentsev, Ligachev, Kunayev, Romanov and many others," referring, along with Mr Ligachev, to a string of disgraced former Politburo members. "But I think they should leave the party, not honest people."

That political dynamite was broadcast in Leningrad, but taken off the air in Moscow.

Behind the splits has been a furious battle to determine the agenda and direction of the new Congress. The radicals, deputies from Moscow and Leningrad, the Baltic republics, some of the most prestigious public organisations (like the Academy of Sciences), and a smattering from across the country, have been quite open about their demands. The conservatives have fought back behind closed doors.

What the radicals wanted was first, to ensure that the 2,250 members of the Congress got a chance to tackle, live on television if possible, the most critical issues facing the Soviet Union today. Those are the economic crisis, the crisis in relations between republics, and the creation of a law-based state.

Last night, the radicals appeared to have won an important victory: the Congress will last at least five days, and the deputies themselves will decide when to stop.

But a major battle still remains over just who will be elected to the 542-member Supreme Soviet from their number, to form the body which will be the standing parliament of the future.

"I don't know if there will be many people prepared to stop being actors, doctors, scientists or academicians in order to engage in parliamentary activities," says Prof Oleg Bogomolev, one of Moscow's more sober radical deputies. "If not, then the Supreme Soviet will be composed to a great extent of those same apparatus employees, who until now sat in other armchairs."

The answer, he says, is for mixed commissions from both Congress and Soviet, to tackle the major issues of the day.

"What rights will deputies have? What will we be able to do, demand, and what problems can we raise? All these questions may appear purely procedural, but in actual fact they are questions relating to the organisation of power in the country."

The radicals want the Congress to review the whole raft of legislation which has already been published this year: and not leave it to the Supreme Soviet. That includes decrees on demonstrations, on what constitute crimes against the state, on co-operative businesses, and taxation. Much more is in the pipeline: laws on the press, on youth, property relations and land tenure.

If the radicals have their way, the coming days in Moscow could make last year's Communist Party conference seem like a picnic.

Mr Gorbachev has to find some way to keep the debate within bounds, but use it to force the conservatives to give way to reforms on the economic front, as well as the political.

The Soviet leader is living on a tightrope, between ever more impatient radicals, and the deeply unhappy ranks of the party faithful. So far, he has proved a consummate tactician, allowing the two extremes to batter each other.

His compromises are never quite as radical as might be expected, but they keep perestroika moving forward when a majority of his party would probably like to stop it in its tracks.

Radicals win victory with open-ended Congress timetable

Radicals elected to the Congress of People's Deputies appear to have won a significant victory with a promise that the first session will be open-ended, write Quentin Peel and Edward Mortimer.

It was officially announced that the Congress will sit on at least five days, which willallow time for major public debates. These debates are expected to be televised live across the country.

The concession means that the Congress will not simply elect a new Supreme Soviet, the country's future parliament, and confirm Mr Mikhail Gorbachev as executive president, but conduct a full-scale policy debate along lines of last year's extraordinary Communist Party conference.

Radicals in the 2,250-member Congress, thought to number up to 700, are determined to put forward their own economic plans and debate the recent massacre of demonstrators in Georgia, among other issues.

They also want a chance to amend recent legislation on the economy and human rights.

Alfonsín accused over 'greedy' faction

By Gary Mead in Buenos Aires

ARGENTINA'S President Raúl Alfonsín was yesterday accused by leading figures in his own Radical Party of handing over authority to an internal party faction composed of "an irresponsible group greedy for power."

The attack came less than 24 hours after President Alfonsín announced the resignation of his entire government and the imminent formation of what he called a "war cabinet." The new cabinet, due to be announced in the next few days, will be handed the task of controlling inflation rates in excess of 60 per cent a month.

Five Radical Party deputies in the provincial government of Buenos Aires made their views known yesterday at a press conference in the city of La Plata, 40 miles south of Buenos Aires.

The particular target of their attack – the strongest made against President Alfonsín from within his own party during his five and a half years in office – was the powerful faction of the Radical Party known as the "Coordindora," which has in recent months has been increasingly influential in top-level government affairs.

The dissident Radical group, calling itself "Mobilisation," singled out Mr Enrique Nosiglia (Interior Minister) and Mr Federico Storani, a national deputy for the Radical Party, for their fiercest attack. Both are known to be within President Alfonsín's closest circle of aides.

The "Coordinadora" has been the main source of President Alfonsín's political support for several years. It came under fire in the months preceding the May 14 presidential election for its less than strenuous efforts on behalf of Radical Party presidential candidate, Mr Eduardo Angeloz, who lost to opposition Peronist Mr Carlos Menem.

Mr Angeloz, who is not a "Coordinadora" supporter, fought an electoral campaign which implicitly criticised President Alfonsín's team. Relations between the two are reported to be less than amicable.

That senior members of the Radical party are now openly revealing their dislike for leading "Coordinadora" personalities is a serious blow not only to President Alfonsín's hopes of drawing the country together in a time of imminent economic collapse, but also to his own personal standing within his party and the country generally.

UK 'must improve payment and settlement system'

By David Lascelles, Banking Editor, in London

THE City of London should make one of its objectives the strengthening of the UK's systems for payment and settlement in the wholesale money markets, the Governor of the Bank of England said yesterday.

Mr Robin Leigh-Pemberton said the present systems were being subjected to the strains of huge volumes, rapid growth, and new demands from the securities markets. He believed several measures were needed to improve their efficiency and reduce the risks to banks which participate in them.

Payments and settlement systems are the means by which banks transmit large sums of money which become available to the payee on the same day. Much of their volume consists of large interbank payments, settlement of foreign exchange transactions and, increasingly, payments for securities deals.

Calling for a wide-ranging debate on the future of the systems, Mr Leigh-Pemberton described them as a national resource which handled the equivalent of the UK's entire gross national product every week. Average daily volume of all payments in the UK had doubled in the past four years to £91bn ($143bn), he said.

The Governor said a stable and predictable settlement system was a vital part of the national infrastructure, and was also necessary to the implementation of monetary policy, and to the protection of the financial system against a chain reaction which could be caused by a single failure. It should further underpin London's international position at a time when other financial centres were becoming more competitive.

Mr Leigh-Pemberton suggested that a further shift should take place from paper-based systems to electronic means. This would mean a transfer of volumes from Town Clearing, the traditional means by which paper is carried by messengers among bank branches in the City, to the Clearing House Automated Payments system (Chaps), the five-year-old electronic system.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	77	Dubrovnik	S	22	72	Malta	S	23	73	Rhodes	S	23	73
Algiers	F	25	77	Edinburgh	S	16	61	Manchester	S	17	63	Rio de J'o	F	29	84
Amsterdam	S	24	75	Faro	F	18	64	Manila	F	35	95	Rome	F	22	72
Athens	F	20	68	Florence	S	24	75	Melbourne	C	15	59	Salzburg	S	22	72
Bahrain	S	36	97	Frankfurt	S	24	75	Mexico City	F	30	86	San Francisco	F	11	52
Bangkok	C	34	93	Funchal	C	20	68	Miami	S	26	79	Seoul	F	21	70
Barcelona	F	24	75	Geneva	S	23	73	Milan	F	22	72	Singapore		-	-
Beirut		-	-	Gibraltar	F	18	64	Montreal	R	17	63	Stockholm	S	24	75
Belfast	S	22	72	Glasgow	S	20	68	Moscow	C	11	52	Strasbourg	S	25	77
Belgrade	C	18	64	Guernsey	S	22	72	Munich	S	20	68	Sydney	S	17	63
Berlin	S	22	72	Helsinki	S	25	77	Nairobi	F	23	73	Taipei	F	30	86
Biarritz	C	21	70	H Kong	C	27	81	Naples	F	27	81	Tangier	F	19	66
Bombay		-	-	Innsbruck	S	25	77	Nassau	F	31	88	Tel Aviv	S	26	79
Bordeaux	S	25	77	Inverness	S	18	64	New Delhi	C	35	95	Tenerife		-	-
Brussels	S	24	75	Islamabad	F	36	97	New York	Dr	15	59	Tokyo	S	24	75
Budapest	S	20	68	Istanbul	F	14	57	Nice	S	22	72	Toronto	S	15	59
B Aires	F	21	69	Jakarta	R	32	90	Nicosia	S	23	73	Tunis	F	24	75
Cairo	S	29	84	Jersey	S	25	77	Oporto	C	19	66	Valencia	C	19	66
Cape Town	S	18	64	Jo burg	S	21	70	Oslo	S	21	70	Venice	S	23	73
Caracas	C	27	81	Lima	C	21	70	Paris	S	26	79	Vienna	S	17	63
Casablanca	C	21	70	Lisbon	F	18	64	Peking	S	25	77	Warsaw	F	22	72
Chicago	C	19	66	London	S	27	81	Prague	S	21	70	Washington	F	17	63
Cologne	S	24	75	Los Angeles	F	14	57	Reykjavik	R	5	41	Zurich	S	24	75
Copenhagen	S	17	63	Luxembourg	S	21	70								
Corfu	S	21	70	Madrid	Dr	18	64								
Dallas		-	-	Majorca	S	26	79								
Dublin	S	19	66	Malaga	R	18	64								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Li Peng gains backing

Continued from Page 1

troops attempted to enter the city. After Tuesday's march to Tiananmen square by an estimated 1m people, some students returned to their dormitories to rest, but there was no suggestion that the five-week-long democracy campaign would end.

Pro-democracy demonstrations spread throughout the country, with 500,000 people yesterday marching through Shanghai's waterfront district to People's Park. Demonstrations have been reported in virtually every Chinese city.

There were stong rumours that 40 leading intellectuals, including Professor Fang Lizhi, the man known as China's Sakharov, would be arrested this week. Many of those named could not be contacted by telephone yesterday.

Mr George Bush, the US president, defended the cautious tone of his public statements on China's popular uprising and said he did not wish to inflame the situation. "I'm old enough to remember Hungary in 1956, and I don't want to be a catalyst for encouraging a course of action that would inevitably lead to violence and bloodshed."

French Nazi collaborator arrested at monastery in Nice

By George Graham
in Paris

ONE OF the last French collaborators wanted for war crimes committed during the Nazi occupation was arrested yesterday in a monastery in Nice, in the south of France.

Mr Paul Touvier, who was immediately flown to Paris for questioning, was one of the leaders of the Milice, the paramilitary organisation set up by the Vichy French government to work with the German SS in occupied France, first in Chambéry, in Savoy, then in Lyon, France's second city.

After the Barbie trial in 1987, Mr Touvier's case, if it is brought to court, appears likely to reopen France's often agonised debate over the Occupation period.

"If Barbie, a German, was condemned to the maximum penalty, then a Frenchman should not escape justice, whatever his age. The deeds of French collaborators are as serious as those committed by the Germans, if not more so," commented Mr Joë Nordmann, lawyer for a number of Resistance associations.

Twice condemned to death immediately after the Second World War, Mr Touvier has spent most of the last 40 years in hiding, sheltered by a number of senior Catholic churchmen.

He was arrested in a monastery belonging to the fundamentalist wing of the Catholic church headed by Monsignor Marcel Lefebvre, who was excommunicated by the Pope last year. Police were also questioning Mr Jean-Pierre Lefèvre, Paris head of the Order of the Knights of Our Lady, a militant lay order which is believed to have harboured Mr Touvier.

Mr Touvier, 74, was a close collaborator in Lyon of Mr Klaus Barbie, the Gestapo captain condemned to life imprisonment in 1974 for 17 crimes against humanity. The Milice leader will also be charged with crimes against humanity, the only ones under French law that are not covered by a 20 year limitation.

His two death sentences, pronounced in his absence, expired in 1967, under this rule, and in 1971 President Georges Pompidou was persuaded to grant him clemency on the remaining penalties he faced: banishment and the confiscation of his goods.

"Are we to keep the scars of our national discords bleeding for ever? Has the moment not come to draw a veil, to forget those times when Frenchmen hated each other, tore each other to pieces, killed each other?" Mr Pompidou asked at the time.

When the pardon became public, it aroused considerable controversy, but Mr Herbert Lottman, a US historian who is one of the leading specialists of the Occupation period, remarks that the decision was not necessarily surprising.

"Like many other cases drawn up in haste at the time, the Touvier files contained no direct proof and no charges that would have permitted a jury to convict him had he been present," Mr Lottman notes in his book "L'Epuration."

A number of Resistance and Jewish organisations, outraged by the presidential pardon, reopened the attack with new charges, including the execution of seven Jewish hostages at Rilleux, near Lyon, and a grenade attack on the Lyon Synagogue.

It took 10 years, however, to obtain a warrant for Mr Touvier's arrest, after a drawn-out legal argument over what constituted a crime against humanity, as opposed to a war crime, and whether the principle that no time limit could apply to crimes against humanity covered crimes committed before the French law was passed in 1964.

Mr Touvier's family published a notice of his death in 1984, but this was widely disbelieved, and in 1986 the search was relaunched.

UK interest rates up to 14%

Continued from Page 1

raise rates came only hours before the Department of Trade and Industry published provisional figures for retail sales in April which showed clear evidence that interest rates at 13 per cent were having an effect in restraining consumer demand.

The volume of sales in April fell 1.4 per cent – the largest fall since May 1987 – in contrast to the expectation in the City

There will be pressure for a debate after next week's recess.

THE LEX COLUMN

London comes back to its senses

For the London equity market, yesterday's rise in base rates was almost submerged in a welter of bids, cash calls and official statistics. Though the immediate cause of the rise was doubtless the slump in sterling, the wider context is hard to read. It could be part of a concerted G7 move, and indeed it would be surprising if Japanese and West German rates did not rise shortly. But it could also be advance warning of today's UK trade figures: and taken with the sharp fall in April retail volume, the picture looks recessionary enough already.

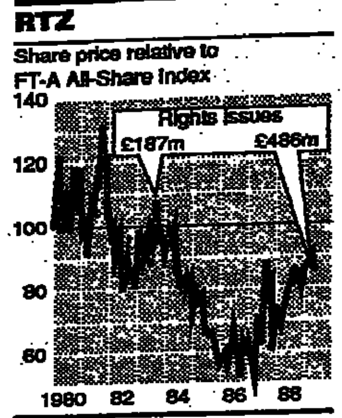
It is hard to believe that the market has adjusted for all this: the FT-SE is still 30 points higher than three weeks ago. Indeed, the frenetic level of corporate activity is worrying in itself. This week has seen major placings of stock in Allied Lyons, Ultramar and Hillsdown, besides yesterday's RTZ rights issue and the paper bid from Carlton Communications. There is bullish excess in the air, doubtless cheered on by the corporate finance departments of the big loss-making securities houses. And indeed, the thumping corporate fees disclosed lately – £70m for SmithKline Beecham, perhaps £50m for Gold Fields/Minorco – look like ammunition for continuing the stockbroking war.

The net effect of yesterday's corporate activity on institutional cash flow – including a potential inflow of £437m from the Coalite bid – was negative to the tune of nearly £200m. The institutions are said to have been crying out for extra stock: they may feel differently now that they are getting an extra percentage point on their cash.

RTZ

RTZ is being rather discreet about the financial benefits ofits acquisition of BP Minerals in order not to embarrass Britain's second biggest company. However, it is acquiring a bunch of clean assets which will contribute a few pence to earnings and consolidate its position as the world's premier mining company. There is now little doubt that its pre-tax profits will top the £1bn mark this year. Thanks to BP's expensive house-cleaning, Bingham Canyon will be one of RTZ's crown jewels; it has acquired a major position in the gold market without paying a silly multiple, and QIT gives it dominance in yet another valuable industrial mineral.

RTZ
Share price relative to FT-A All-Share Index



RTZ now has a portfolio of low cost, mature cash generators plus a bevy of exciting exploration prospects which ensure that it will be a substantial force in the industry for many years to come. The bad news is that the mining industry has been a miserable long-term investment, and RTZ has not outperformed the market over 5,10,15 or 20 years. After yesterday's modest rights issue, it remains highly geared at a time when metal prices are heading lower. If any mining company can prosper, RTZ can; but a prospective multiple of 8½ reflects understandable caution.

Carlton/UEI

Carlton must be the only company left that can afford to use its shares to make a king-sized acquisition on a handsome multiple twice within nine months. However, yesterday's £513m purchase of UEI was stretching the market's faith even in Michael Green, as the 5 per cent fall in the shares demonstrated. The speed of the expansion is alarming: it will be next January before anyone sees a set of audited figures including Technicolor, and it will take longer to catch up with the even bigger group. Moreover, UEI is certainly not cheap; earnings in year one are likely to suffer by 5 to 10 per cent – enough to reduce Carlton's growth to an uncharacteristically ordinary pace for a while.

It is lucky that there are some pretty powerful arguments for the deal, which in the end will probably win the day. The products balance each other well; one company's excellence in R & D balances the other's marketing flair; and under the growing shadow of Japanese competition it pays to be big. The merger also heads off future competition between the companies themselves – something which might interest the competition authorities, were it not for the fact that the market is almost impossible to pin down. Meanwhile, the price itself may turn out to be much cheaper than it looks; and although Mr Green yesterday declared himself wedded to UEI's car engines, it would be silly to hang on to the parts which do not fit with Carlton, especially when they might fetch £200m or more.

More generally, it is worth asking if Carlton is over-reaching itself, as all the disgraced growth stocks did in their time. So far, the answer is no: it is not asking its shareholders for more money, its balance sheet is strong, its businesses throw off cash, and its management seem up to the task.

Coalite

In a way, Coalite has always looked a likely bid candidate; the problem has been thinking of a buyer for a large slice of a gently shrinking UK coal market. This makes Anglo – which has great ideas for Coalite's basic business, but plans to sell all the other more fashionable bits like builders merchants and quarries – the perfect bidder. And in the absence of any other approach, it could succeed at something not far above yesterday's offer of 13 times earnings (which is even meaner than it looks as it is based on a year of mild weather). Meanwhile Coalite has had plenty of time to build its defences, but its task is not easy. The management seems competent enough, but the City sees it as parochial and, worse, as not focused on the needs of its shareholders. While the company will doubtless now help the market calculate its worth, that may do nothing more than make investors all the more keen to realise it.

SmithKline/Beecham

It was a little unfortunate that the details of the SmithKline Beecham merger should have emerged on the day of a base rate rise, given the formidable debt levels involved. But the market now sees the deal as done, with little chance of hostile intervention before the egm in four weeks' time. There is therefore little rational to be said about the share price. The first full year figures from the merged group are not due until early 1991, by which time the non-organic growth will be over: and the prospects for organic growth thereafter are still quite unclear.

RTZ cash call to fund BP deal

By Kenneth Gooding in London

RTZ Corporation, the world's largest mining company, yesterday announced a one-for-seven rights issue of shares, raising £486m ($758m) net, to help pay for its $4.3bn acquisition of BP Minerals from British Petroleum.

But, although the 435p-a-share cash call was the largest seen in the London market for many months, and came shortly before yesterday's rise in UK interest rates, RTZ's share price dropped by only 18p, to close at 493p.

Mining analysts, many of whom had expected a rights issue since the BP deal was announced in January, generally welcomed yesterday's move.

Mr Jack Jones, of UBS Phillips & Drew, said: "Without the rights issue, the shares would have gone nowhere because we all would have been waiting for a rights issue. Now they must go up."

He pointed out that RTZ was now more enthusiastic than ever about the BP Minerals deal, which will make the group one of the largest gold miners outside South Africa and bring it important assets, such as the Bingham Canyon copper-gold mine in the US and QIT-Fer et Titane, the world's largest producer of titanium dioxide feedstock, in Canada.

"Now that RTZ has had a close look it seems to believe there are lots of synergy benefits, not only in mining but also in financing and tax," Mr Jones added.

Most of the money required for the deal, now finalised and to be completed by June 30, will be covered by medium-term bank facilities for $3.1bn. RTZ now expects BP Minerals to cost about $4.3bn, in line with the $4.32bn mentioned when the deal was announced.

RTZ will not know until the autumn if BP's 49 per cent shareholding in the huge Olympic Dam copper-uranium mine in Australia will be included. Western Mining of Australia has pre-emptive rights on the stake, which has been valued at US$601m.

BP Minerals, which chalked up losses totalling more than £1bn in the three years from 1984, revealed yesterday that its net profit last year was £284m on a turnover of £673m, up from £80m and £383m respectively in 1987.

Sir Alistair Frame, RTZ's chairman, said his group decided not to use all-debt finance for the BP Minerals deal because further investment opportunities were likely to appear before long. RTZ would maintain more financial flexibility through the increase in its equity base.

RTZ's gearing (net borrowing as a percentage of total shareholders' funds) was only 7 per cent at the end of 1988 and would have jumped to 127 per cent if the deal had been all debt. Under the present arrangements, RTZ's gearing will rise to 93 per cent.

"Given the cash flow from the assets of the enlarged group, this is expected to reduce substantially over the next five years, notwithstanding the large development programme that lies ahead," Sir Alistair added.

He said RTZ had continued to benefit from high metals prices in the first quarter of 1989, following record financial results last year. The BP Minerals acquisition would have a beneficial effect on earnings and this year RTZ expected at least to repeat last year's dividend payment of 15p a share.

The $3.1bn credit facility has been co-arranged by Barclays Bank and Morgan Guaranty Trust, which, together with Credit Suisse, Deutsche Bank and the Toronto-Dominion Bank, have fully underwritten the facility.

The rights issued has been underwritten by Kleinwort Benson and brokers to the issue are Hoare Govett Corporate Finance and de Zoete & Bevan.

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Daf issue values BAe's holding at close to £150m

By Kevin Done in London

DAF, the Dutch commercial vehicle maker which is 40 per cent owned by British Aerospace through its Rover group subsidiary, is to be floated on the Amsterdam and London stock exchanges at a price of Fl 47 (£13.17) per share, giving the company a market capitalisation of Fl 1.34bn ($585m).

The price, announced yesterday, values the British Aerospace stake in Daf at Fl 535.2m, virtually identical with the £150m ($234m) BAe paid to the UK Government last year for the takeover of the whole of the Rover group.

Daf senior management is also set to make substantial financial gains from the flotation based on favourable share options granted last year.

The share price has been fixed at the top end of the Fl 42-47 range indicated three weeks ago. Even so, the issue will expose the UK Government to renewed criticism for selling off the Rover group too cheaply. In recent days the shares have traded in the "grey" market at prices up to Fl 55 per share.

Under the flotation, existing Daf shareholders are selling off 63 per cent of their holdings amounting to some 17.93m shares to raise Fl 842.9m (£236m).

BAe will raise Fl 321m (£89.9m) by selling 60 per cent of its holding, which will reduce its stake in Daf from 40 to 16 per cent. It will remain the largest single shareholder.

Members of the Daf management board and certain senior managers will share a bonus worth at least Fl 23.4m (£6.5m) based on the Fl 47 issue price.

They were granted options last year, to be exercised at any time in the next four years, to subscribe for up to 751,000 shares at a price of Fl 15.80 per share compared with the offer price of Fl 47 per share.

At the same time most of Daf's 16,491 employees are to be given 12 shares free of charge, a gift worth Fl 564 (£158). Employees, as well as dealers and sub-dealers, can also apply for a preferential allotment of shares.

Some 50 per cent of the issue has been underwritten in the Benelux countries, chiefly in the Netherlands, 29 per cent in the UK and 21 per cent elsewhere.

The company, which is one of the top five European truck makers with 9.4 per cent of the West European market (trucks above 3.5 tonnes gross vehicle weight), achieved a net profit of Fl 147m in 1988 on a turnover of Fl 5.2bn.

The price earnings ratio for 1988 is 9.1, but analysts' forecasts suggest a jump in net profits to Fl 180-200m this year which puts Daf on a prospective p/e ratio of around 6.8.

The average p/e of the Amsterdam market is around 11.

Mr John Lawson, automotive analyst at Nomura Research, said the flotation would "get away fairly comfortably." The issue was "reasonably priced" based on the outlook for the rest of the year.

Daf would be able "to report a net profit of Fl 200m in 1989 if it wants to," he said, but he warned that "1990 is the difficult year when operating margins will come under pressure." Daf's profitability still lags behind several of its biggest competitors, in particular Scania and Volvo of Sweden.

Carlton acquires UEI for £490m

By Raymond Snoddy in London

MR MICHAEL Green, chairman of Carlton Communications, the British television services company, yesterday made his second large acquisition in less than a year when he announced an agreed all-share offer for UEI, the UK digital processing and engineering company.

The deal values UEI, a leader in the digital manipulation of television pictures, at around £490m ($770m).

Mr Green, who will remain chairman of Carlton said yesterday: "The combined strength of Carlton and UEI will mean more unit sales for both companies and increased market penetration."

The deal follows Carlton's acquisition in September of Technicolor, the US video duplication and cinema film processing company for $780m.

It came on the same day that Carlton announced a 98 per cent increase in pre-tax profits to £42.1m for the six months ending March 31. Turnover over the same period, which includes the first income from Technicolor, rose by 117 per cent, earnings per share were up 26 per cent and the dividend was increased by 25 per cent to a net 3.06p.

The recommended offer, being put by Hambros Bank, is 56 new Carlton ordinary shares of 5p each and 229 Carlton convertible redeemable preference shares of 5p each for every 100 UEI shares. On the basis of last night's Carlton closing price of 808p, down 41p, the offer values UEI at around 693p a share. UEI shares closed at 665p, up 136p.

Carlton said yesterday that it had acceptances covering more than 39 per cent of UEI shares and Dansondown, a company jointly owned by Carlton and Hambros, yesterday bought 12.2 per cent of UEI, enabling the company to claim it had 50.2 per cent of the target.

Mr Peter Michael, chairman of UEI, said yesterday that his company which spent more than £10m on research and development last year could offer Carlton "slightly enhanced prospects for innovation" and the UEI businesses would in turn benefit from the strength of Carlton's sales organisation.

To oversee the integration of the two businesses, Mr Michael will be a joint chairman of Carlton Communications until the company's next annual general meeting in early 1990. After that he will become non-executive deputy chairman of Carlton.

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Carlton results, Page 33

Hillsdown wins auction for Premier

By Nikki Tait and Lisa Wood in London

HILLSDOWN Holdings, the food, furniture and property group, yesterday emerged as the successful bidder in the auction over Premier Foods – although it did not offer the highest price.

Premier was the subject of a management buy-out from Cadbury-Schweppes three years ago, when it acquired the quoted company's UK, Irish and French beverage and food operations, plus distribution rights in several countries. It takes in brands ranging from Ty-Phoo tea to Chivers and Hartley's preserves, and is entitled to use the Cadbury's name on certain biscuit, snack and beverage products.

The company had originally planned to float on the stock market, but announced that it was seeking a buyer last March.

Hillsdown is acquiring Premier in a share-swap deal worth about £182m ($284m) after a 16p fall in Hillsdown shares to 263p yesterday. In addition, Cadbury-Schweppes is entitled to receive 10 per cent of the offer value, which will be paid over five years.

The deal comes as a result of a "controlled auction". Yesterday, Premier's directors said that the short-list comprised four companies, at least one of which was prepared to offer more for the business than Hillsdown. However, they believed that the current deal was the best for the business. Dalgety, known to be in the running for Premier, said last night it was disappointed.

Background, Page 30

SmithKline merger with Beecham to cost £70m

By Andrew Hill in London

THE TRANSATLANTIC merger between Beecham Group and SmithKline Beckman, which would create the world's second largest drugs company, is set to cost the two groups about £70m ($109m) in professional fees.

That is £20m more than Consolidated Gold Fields and Minorco spent on the extensive legal and financial skirmishes of their fiercely-fought bid, which lasted nearly eight months.

Beecham, the UK healthcare group, yesterday published a bulky 230-page circular giving details of the intricate agreed bid. The US document is about 400 pages long.

The British company said the complexity and size of the deal had added to normal banking, legal, accounting, printing and filing costs.

Beecham said the combined group's borrowings at the end of 1989 would stand at twice shareholders' funds, even after the sale of Beecham's cosmetics and fragrance businesses, which could raise as much as £750m.

Gearing would come down to 100 per cent in 1990 and to 50 per cent by the end of 1991, said Mr Bob Bauman, Beecham's chairman, who unveiled pre-tax profits of £491m for 1988-89. This was in line with the group's own forecasts.

Lex, Page 20. Details, Page 30.

A cows chorus line of the robot variety takes the Anchor butter television commercial a stage further. Their dancing across the meadow is a symbol of what links the market-driven Carlton Communications group of Michael Green (left) and the more science and technology-based UEI.

The man who bought the dancing cows

Raymond Snoddy on Michael Green's takeover of UEI

THE RISE of Mr Michael Green, chairman and chief executive of Carlton Communications, has been remarkable by any standards. But now Mr Green can even make cows dance.

Carlton's agreed £490m ($760m) takeover of UEI, a leading manufacturer of digital signal processing equipment, includes a machine called Harry that can manipulate digital images for television.

It was used in a famous UK television commercial for Anchor butter. One real cow with a line attached to one leg was persuaded to "dance" in time to the music. Using Harry, the line was painted out of the picture and the single cow was digitally replicated into a chorus line of dancing cows.

The dancing cows are a significant symbol of the links between two apparently very different companies – Carlton, a marketing-driven company specialising heavily in services for the television industry and the more science and engineering based UEI. For Mr Green's Moving Picture Company produced the commercial using UEI technology.

Yesterday's deal, which values the new merged company at £1.7bn, was nearly five years in the making. Mr Green met Mr Peter Michael, chairman and chief executive of UEI at a broadcasting exhibition in the US and they agreed to keep talking.

"It's been a long conversation conducted in many parts of the world," said Mr Michael who, like the Carlton chairman, founded his own company and built it up from scratch.

Both sides yesterday explained the deal in terms of the complementary nature of the two companies and the fact that together they can go for larger markets.

As a result of the merger "We will dominate our [television services] markets in Europe," Mr Michael said.

Apart from television and advertising production, and a 20 per cent stake in Central Independent Television, the ITV contractor for the Midlands, Carlton specialises in a wide range of products for the professional television industry. Through Abekas and ACE, Carlton offers a family of digital disc recorders, special effects devices, character generators and vision mixers.

UEI's business falls into four main categories, Sound and Vision, including electronic video graphics devices such as Paintbox and Harry; Text and Graphics which produces equipment allowing the manipulation of text around high resolution pictures on screen; Scientific, covering materials analysis and imaging, and Advanced Engineering, including Cosworth the designer and manufacturer of high performance car engines.

The most important single reason why Mr Green has been at last successful in his wooing of UEI was that it became increasingly clear that, at least in their picture manipulation businesses, the two companies were on a collision course and were starting to be competitors, in danger of duplicating research and development.

When Carlton bought Cambridge Computer Graphics last September it was seen by some as following UEI's lead into electronic image manipulation and earlier this year UEI moved into video post-production in the US with the purchase of Unitel Video.

Miss Bronwen Maddox, media analyst at Kleinwort Benson Securities yesterday described the deal as shrewd. "Its a merger of Rolls Royce and Ford with Carlton as Ford and UEI, Rolls Royce," she said.

In the short term she believed there would be no savings in the deal but in two years time less money would be needed for research than if the two groups were then "at each others throats."

Mr Green insisted yesterday that the companies would be able to add to each other.

"This is not a rationalisation. Not a firing of people. Not a selling off of companies. It's where we have a real combined force in industry which will be a world leader," Mr Green said.

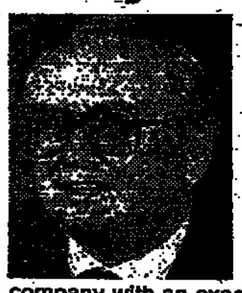
The Carlton chairman repeatedly insisted that nothing in UEI was for sale. But it would be surprising if Carlton did not now receive bids for Cosworth, the car engine company or Link Analytical, the materials analysis company.

When Mr Green bought Technicolor, the US video duplication and film processing company for $780m last September, Mr Michael Gifford, chief executive of the Rank Organisation, was on the phone immediately asking to buy the film processing operations.

Talks are now well advanced for Rank to do just that, although Mr Green declined any comment whatever on this deal yesterday.

INSIDE

Not all milk and honey at Nestlé



As shareholders in Nestlé prepare to vote today on the food group's decision to open its registered shares to foreign ownership, managing director Helmut Maucher (left) and the rest of the board face criticism from a vocal minority that claims the move diminishes shareholders' rights, provides the company with an exaggerated level of protection against takeover and may hamper rather than enhance Nestlé's ability to broaden its capital base and achieve a higher market capitalisation. William Dullforce reports. **Page 23**

Reaching out to the other half

One reason why Britain is short of scientific and technological talent in many disciplines is the failure to make them more attractive to one half of the population: namely, women. David Thomas reports on a scheme designed to attract well-qualified women back into research. **Page 36**

Happy pigs make better dinners

St Michael

The words "tender and succulent" on Marks and Spencer's pre-packed pork products provide customers with the only clue that the UK retailer is backing the fight against factory farming. But the policy of selling pork produced from contented pigs has more to do with profit than with the desire to please animal welfare bodies, and, writes Bridget Bloom, the partnership between M and S, a Somerset pig breeder, a meat processing enterprise and a handful of farmers could prove an important phenomenon in British agriculture. **Page 38**

Throwing out the pills

Pills and potions may soon lie unused in medicine cabinets, if functional food becomes as successful as analysts predict. Instead, consumers will be munching special fish spreads, margarines or sweets to help prevent disease and improve health. Functional foods are aimed at protecting people against serious diseases and at regulating body functions and, in Japan, in particular, companies involved with them are expected to become stock market stars. Jaqueline Moore reports. **Page 50**

BAT suffers in US

Aggressive price-discounting by rival US cigarette companies has hit profits at BAT Industries' big US subsidiary, Brown & Williamson, it was revealed yesterday as BAT reported first-quarter pre-tax profits up 17 per cent at £324m ($505m). Overall results from the tobacco-based multinational were at the top end of the range of City expectations. But trading profits from its tobacco businesses rose only marginally to £152m. **Page 30**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Volkswagen	380.5	+	21
Viag	309.8	+	8.7
Daimler	675	+	17
Feldmuehle	344	+	8.5
Veba	286	+	6
Falls			
Henkel	485	−	6

NEW YORK ($)

Rises			
Chevron	56	+	1
Exxon	43¾	+	⅛
Mobil	52⅛	+	⅝
Falls			
Allied Signal	34⅞	−	½
Ford	47⅝	−	½
General Motors	40½	−	⅜

New York prices at 12.30.

PARIS (FFr)

Rises			
Maisons Phenix	105	+	8.5
Sodexho	3536	+	241.1
Comptoir Entre	254.9	+	15.6
Carus	453	+	26.5
Falls			
Roussel	1818	−	87.6
Elf Gabon	968	−	45.7

TOKYO (Yen)

Rises			
Misawa Resort	2560	+	400
Tokyo Tekko	1960	+	260
Teikoku Sen-i	1210	+	168
Kodensha	2780	+	260
Falls			
Takashima	1890	−	150
Sankai Bldg.	7300	−	80

LONDON (Pence)

Rises			
Apricot Comp.	82	+	5
Astra Hldgs.	168	+	15
Chamberlin & H.	313	+	25
Courtaulds	336	+	5½
Grand Met.	549	+	4
Ladbroke	597½	+	5½
Midland	350	+	4
PWS Hldgs.	50	+	4
STC	365	+	8½
Saatchi	327	+	8
UEI	665	+	136
Falls			
Anglia Secure	245		25
BAT Inds.	545	−	17
Burton	225	−	7
Cadbury Schw.	351	−	10
Carlton Comms.	808	−	41
Glaxo	1395	−	36
Hillsdown Hldg.	263	−	16
Logica	349	−	17
Prudential	176	−	4
RHM	445	−	8½
Ward White	277	−	7
Unigate	369	−	8
Utd. Biscuits	329	−	10½

INTERNATIONAL COMPANIES AND FINANCE

Wall Street welcomes BP Alaska units sale

By James Buchan in New York

A SCHEME by British Petroleum to cash in part of its investment in Alaska's vast Prudhoe Bay oilfield has been well received on Wall Street – despite the pall cast over the future of Alaskan oil by the Exxon Valdez oil spill towards the end of March.

Underwriters led by First Boston reported yesterday that money managers, mutual funds and retail investors had scooped up a special $209m issue of securities linked to the future of Prudhoe Bay, BP's crown jewel and North America's largest oilfield.

First Boston said yesterday that the issue of units in a special BP Prudhoe Bay Royalty Trust was increased from 7m to 8.04m in the face of strong demand.

The units, which were priced at $26 a piece on Tuesday, were trading at a small premium yesterday morning. Few investors were selling, with turnover at a low 16,000 units by noon, according to Mr Richard Kauffman, a director in First Boston's equity capital markets group.

The issue is the latest in a string of fancy financial instruments devised by Mr John Browne, BP's head of exploration, to accelerate the return from long-lived production assets.

Investors in the trust will be entitled to a 16.42 per cent interest in the first 90,000 barrels a day of production from the field.

The deal's attraction is that it allows investors to bet on a rising oil price – as they would from buying oil stocks – but without the complications of stock-market volatility or potential environmental liability.

Prudhoe Bay is declining, but BP still produced 642,800 barrels a day from the field last year. In practice, the Royalty Trust's 90,000 barrels look safe into the next century unless for some unforeseen reason the whole field has to be shut down.

Mr Steve Cowper, Alaska's governor, threatened to do that in early April in fury at the Valdez spill, but investors seem to have shaken off this threat. Mr Kauffman said: "I think a lot of investors recognise how important such a large field is to the US."

The quarterly cash distributions to investors are based on the price of West Texas Intermediate (WTI) crude oil, less BP's theoretical costs multiplied by inflation.

At the first quarter average WTI price of $18.45 and taking current inflation into account, the annual return to investors would be $2.95 or 11.34 per cent, more than double the dividend yield on an oil company stock such as Exxon. In addition, if the oil price falls sharply between now and September 1991, investors will still be guaranteed a yield of about 8.5 per cent a year.

Xerox seeks graphics licence deals

By Louise Kehoe in San Francisco

XEROX Corporation is staking its claim in the hotly disputed area of computer graphical interfaces, the programs that enable computer users to control a computer using a pointing device and symbols on the computer screen.

The company said yesterday that it intends to seek licensing agreements with computer and software companies covering its original graphical interface technology.

Xerox said that it has reached a settlement of a dispute over intellectual property rights with Metaphor Computer Systems, a California computer maker, by signing a licensing agreement that allows Metaphor to use all features of the Xerox graphical interface.

In a statement that surprised the industry, however, Xerox went on to say that it now expects to license other companies in a similar way.

Graphical interfaces are the subject of several other outstanding law suits.

The pending litigation threatens to seriously disrupt plans by many other computer companies to make use of graphical user interfaces as a means of making computers easier to use.

The programs at issue produce screen images of the type most widely associated with Apple Computer's Macintosh personal computer. The technique was however invented by Xerox in the early 1980s.

Apple Computer, which acknowledges that Xerox originated the idea of a graphical user interface, is currently suing Hewlett-Packard and Microsoft for alleged infringement of copyrights on its graphical user interface. Hewlett-Packard has, however, filed a counter suit charging that Apple's copyrights are invalid because they were based on Xerox's work.

Xerox copyrighted its original graphical user interface in 1981, but it is not clear how this copyright applies to current versions of graphical interfaces. Also a matter of intense debate is how Xerox's claims may affect related legal disputes.

Yesterday, industry analysts were split over whether Xerox's actions will clarify or confuse the tangled legal situation. "We hope that initiating this approach will help advance the industry toward user-friendly standards and will avoid needless litigation that could only delay its progress," said Mr William Spencer, Xerox Vice President.

Litton up as electronics side falls

By Roderick Oram in New York

LITTON Industries, the diverse US manufacturing group, has reported a marginal increase in third quarter profits and sales despite a downturn in its defence electronics sector.

On the positive side, the company said that industrial systems and services performed well, reflecting growth in such areas as industrial automation and high technology oilfield services.

Net earnings were $44.7m, or $1.79 a share, for the three months ended April 30, against $42m, or $1.60, a year earlier. Sales edged ahead to $1.27bn from $1.20bn.

Net profit rose 7 per cent to $131.7m, or $5.19, from $123.3m, or $4.67. Sales increased by 4 per cent to $3.70bn from $3.55bn.

Defence electronics turned in operating profits of $46.3m on sales of $544.1m in the latest quarter, against $47.7m on $604m a year earlier. The biggest effect was the first quarter transfer from its electronics to its marine engineering sector of a programme to upgrade four Canadian warships. The electronics division was also affected by the winding down of a Saudi Arabian air defence contract and tighter US defence budgets.

However, the company noted that the electronics arm's operating profit margin increased to 8.5 per cent in the third quarter from 7.9 per cent a year earlier and operating profits were marginally higher for the nine months.

Imperial Royal to raise C$840m

IMPERIAL Royal, the Canadian arm of Exxon, plans to raise C$840m (US$700m) with an issue of 16.5m class A shares at C$51 a share, to help reduce about C$4bn of debt assumed in last January's C$5bn takeover of Texaco Canada, Robert Gibbens writes from Montreal.

The issue could be increased to 17.5m shares to raise about C$1bn in new funds. In either case, Exxon will take up its pro-rata portion to maintain its ownership at almost 70 per cent.

The underwriters will give preference to existing public stockholders.

War breaks out in video game market

By Louise Kehoe

NEC, THE Japanese electronics giant, has made an aggressive effort to break into the $2bn US home video game market, currently dominated by Nintendo, also of Japan.

Yesterday NEC unveiled an expandable home entertainment system that includes a video game unit and a compact disc player.

NEC's new TurboGrafx-16 video game system is aimed at children aged between eight and 16, millions of whom have become addicted to video games over the past two years.

It is the first product from a newly formed home entertainment group within NEC Home Electronics (USA).

NEC's TurboGrafx-16 system features a 16-bit graphics processor which allows video games to have fast action sequences, more complex levels of play and a broader range of colours and visual images, the company claims. An optional compact disc player gives superior sound quality.

NEC plans to ship its new home entertainment system to retailers in the autumn, ready for Christmas. The expected retail price is $199.

Hostile bid launched for Coalite

By David Waller

ANGLO United, an ambitious UK opencast coal-mining and fuel distribution company, yesterday launched a highly leveraged hostile cash offer for Coalite of the UK. This is a much larger company with interests ranging from smokeless fuel manufacturing to sheep farming in the Falkland Islands.

The bid values Coalite at £427m ($672m) while Anglo's market capitalisation is £59m. Coalite rejected the offer, claiming that it failed to reflect the company's value or its potential and that it was not in shareholders' interests.

Anglo, which made a pre-tax profit of £5.2m in 1987-88 compared to Coalite's £45.5m in the same period, is run and 37 per cent-owned by Mr David McErlain, who has a long track record in the private coal-mining and fuel distribution businesses.

Mr McErlain said he had been stalking Coalite for three years, and had talked to Mr Eric Varley, the former Labour Party politician who is chairman of the target company, several times with a view to securing an agreed deal.

The case for the bid was that Coalite's management and other resources had been diverted away from the company's core businesses in fuel manufacture and distribution to a "wide range of unrelated businesses, which have little or no connection with its core businesses or each other." This had been reflected in an indifferent earnings record, the bidder argued.

Mr McErlain said that Mr Varley and his colleagues were paying too much attention to a "hotch-potch" of subsidiary interests, which span vehicle distribution, contract hire, waste *disposal*, *quarrying*, builders merchants, property, stevedoring, pazzolanic cement and clay pigeon manufacturing, as well as the Falklands Islands Company.

The aim would be to put Coalite's core businesses with Anglo's fuel distribution activities to create a group with a 19 per cent share of the UK market, big enough to compete more effectively with British Coal, which has more than half the market. The peripheral businesses would be sold.

The finance for the offer will be provided by Samuel Montagu and the Hongkong and Shanghai Bank, under a 6¼ year £230m acquisition facility and a £200m 1¼ year bridging facility to be repaid out of the disposal proceeds. Some £270m of the borrowings is hedged at 12¼ per cent.

The offer is pitched at 425p per share, a 29 per cent *increase on the average price* during January, the last month before the price rose in what Anglo claimed was speculation about a bid. However, it was only a 1p premium on Tuesday's close. Coalite's shares rose 15p to 439p yesterday whilst Anglo's dropped from 51p to 47½p.

Mr McErlain set up his own opencast business in 1974, then sold it to Burnett & Hallamshire in 1981 for £12m. Subsequently he set up two other opencast businesses, and in 1988 was instrumental in the restructuring of Burnett which was effected by a complex asset swap with Anglo.

Anglo holds 2.2 per cent of Coalite's shares. It is advised by Samuel Montagu whilst Morgan Grenfell is advising Coalite.

The companies have their headquarters within a few miles of each other in North *Derbyshire, England.*

Lex, page 20

Electrolux reports buoyant first quarter

By Robert Taylor in Stockholm

ELECTROLUX of Sweden, the world's leading white goods manufacturer, lifted first-quarter profits (after financial items) by 16 per cent to SKr871m ($129.6m) from SKr753m a year earlier, reflecting the continuing bouyancy of worldwide demand for white goods across the world.

Group sales jumped 24 per cent to SKr21.14bn, reflecting a continuing strong demand for household appliances, where sales rose to SKr10.62bn from SKr9.55bn a year ago.

Electrolux said demand remained high for their household products in western Europe and the US, except for Britain where high interest rates had made a negative impact.

The commercial appliances division, which makes commercial laundry and cleaning equipment, recorded an increase in sales from SKr1.5bn in the first quarter of 1988 to Skr1.74bn.

However, the group pointed out that its results were affected adversely because of its consolidation of the acquisition last November of Roper, the leading US garden equipment manufacturer, for $295m.

But it added that Roper did have a positive effect of around SKr1bn on the group's sales of outdoor products. Sales in this division almost doubled in the first quarter from SKr1.3bn to SKr2.38bn.

There was also an improvement by more than a quarter in sales in the industrial products division with a rise from Skr3.16bn to SKr4.50bn.

Mr Anders Scharp, chief executive, said the company had now laid the foundations for its growth in the 1990s and he told shareholders that expansion would come not only from household products but also in other areas of the company's activities in the European Community, North America and the Far East.

He pointed out that during recent years the company had invested SKr4.8bn in new products and plants and this would produce consequent expansion over the coming decade.

Nestlé ready to thwart critics of voting curbs

William Dullforce in Geneva previews today's annual meeting in Lausanne

A MINORITY of Nestlé's shareholders has been voicing, privately and publicly, vigorous opposition to the amendments to the food group's articles of association on which its annual general meeting will vote today.

The critics claim that the changes diminish shareholders' rights, provide the company with an exaggerated level of protection against takeover and may hamper rather than enhance Nestlé's ability to broaden its capital base and achieve a higher market capitalisation.

Securing access to international capital and raising the market value of its shares were central motivations in Nestlé's decision last November to open its registered shares to foreign *ownership. Less attention was* paid at the time to the accompanying proposals limiting to 3 per cent of the total the number of shares and voting rights that may be held by one person or legal entity.

The proposals also require a quorum of two-thirds of the share capital and a three-quarters majority of the shares represented to make further amendments to the articles of association or to remove more than one third of the board.

Opponents approve the opening to foreign investors but argue that Nestlé is going overboard in imposing these new restrictions. Criticism has been voiced publicly by the Convention d'actionnaires de Nestlé (Canes), which represents less than 200 shareholders and less than 1 per cent of the voting rights.

More seriously, doubts have been widely aired in discussions among lawyers and private bankers responsible for managing investment portfolios. Ms Elka Gouzer, a Geneva-based lawyer specialising in acquisitions and mergers, sees the concession over foreign ownership as a smokescreen behind which Nestlé's management is reinforcing its position against shareholders. Nestlé is telling foreigners, "you can buy our shares but do not think you can have any influence over our company," she says.

The food group's board and management have forcefully defended their decisions and even their opponents acknowledge that a vote in favour of the amendments at today's meeting in Lausanne is a fore*gone conclusion.*

But Nestlé has taken its critics seriously. It has rebutted point by point the Canes group's criticisms, emphasising that the purpose of the shareholding and voting restrictions is to prevent an unfriendly attack by a raider secretly accumulating shares. Anybody making a takeover bid would have to act in the open and make sure he had a majority of shareholders with him.

The Nestlé management has argued its case with the big Swiss commercial banks and private bankers in Zurich, Geneva and Basle who can be expected under their powers of attorney either to vote with the board or to abstain.

Not all the bankers are convinced, although hardly any are ready to be quoted. However, Mr Pierre Mirabaud, a partner in the Geneva private bank which bears his name, said yesterday that he had been shocked by the board's letter to shareholders spelling out the reasons for the 3 per cent restrictions on shareholding and voting rights. The letter had ignored two existing articles which stipulate that 10 per cent of the votes are required to call for an extraordinary general meeting and 5 per cent to put an item on the agenda. Why had these limits not be reduced to 3 per cent? Mr Mirabaud asked.

Under the proposed amendments persons or legal entities "acting in concert with a view to circumventing" the 3 per cent limit would be counted as one shareholder. Lawyers see here an ambiguity which the board could exploit to block the convocation of an extraordinary general meeting, although Nestlé has denied any intention of preventing shareholders from joining together to exercise their rights.

Mr Mirabaud objected to the inclusion in the capital increase, on which shareholders will vote today, of an issue of reserved shares at par value carrying 4.8 per cent of the votes. These shares will be held by the big banks for use at the board's discretion. But that means effectively that 4.8 per cent of the votes are controlled by the board, Mr Mirabaud said.

Many Swiss banks are facing a conflict of interest, he added. They should clearly advise clients for whom they act under discretionary authority to oppose the amendments which were "putting into the board power which should belong to shareholders." On the other hand, banks either had members on the Nestlé board or had *commercial relationships with* it, which they did not want to put into jeopardy.

Most of those voting today are prepared to give the Nestlé board the benefit of the doubt. In the absence of a Swiss code of conduct covering takeovers, their argument goes, Nestlé had no alternative, once it had opened its share capital to foreign investors, to reinforcing its defences against raiders.

Net income at Ferfin climbs to L554bn

By Alan Friedman in Milan

FERRUZZI Finanziaria (Ferfin), the ultimate holding company of Mr Raul Gardini's Ferruzzi-Montedison foods and chemicals conglomerate, yesterday reported a L554bn ($382m) net profit (after minorities) for 1988 in its first ever consolidated balance sheet. The profit was struck on consolidated turnover was L24,865bn.

Ferfin is the financial vehicle, 39 per cent owned by the Ferruzzi family, that emerged last year after a controversial asset play that saw Mr Gardini's Ferruzzi group transfer out of Montedison and into Ferfin a series of prize financial services, retailing and insurance assets.

The Ferfin consolidated balance sheet includes 100 per cent of Montedison's 1988 revenues of L14,122bn, even though Ferruzzi, through an industrial holding subsidiary, only controls 45 per cent of Montedison.

The Ferfin revenues do not, however, consolidate the substantial premium income from La Fondiaria, the insurance company that was last year transferred from Montedison to Ferfin and which is 48.9 per cent owned by Ferfin.

Campsa in pipelines accord

By Peter Bruce in Madrid

CAMPSA, the company which controls Spain's fuel distribution monopoly, has reached agreement in principle with four multinational oil groups, including Mobil, Agip and Total, allowing them access to its oil pipelines and tanker fleet and, hence, to Europe's fastest growing petroleum market.

The state-controlled company is also negotiating similar agreements with other foreign multinationals, including BP.

The agreements would be a significant breakthrough for the foreign companies, which had feared that the Spanish market, despite promises to the contrary by Madrid, would remain heavily protected after the European single market comes into operation after 1992.

Even under the agreements, the foreign companies would only be able to distribute imported products through the Campsa network.

Theoretically, after 1992 foreign groups would be allowed to develop their own distribution networks but the high cost of this could mean that Campsa continues to dominate distribution.

Spain is Europe's fifth largest petroleum market. Campsa is owned 67 per cent by Repsol, the oil energy conglomerate which was part privatised earlier this month.

● Asland, the big Spanish cement group, has become one of the largest shareholders in Banco Espanol de Credito (Banesto) after purchasing a 2.5 per cent stake in the bank. Asland said it was keen to participate in Banesto's industrial group, which, accounts for nearly 5 per cent of gross domestic product.

Rival Connaught offer seen

By David Owen in Toronto

A GROUP headed by a university geneticist may launch a bid for Connaught BioSciences, the Toronto-based vaccines and pharmaceuticals company which is planning to merge its human health activities with those of Institut Mérieux of France.

Connaught shares rose strongly yesterday on speculation that a new bid may emerge. By midday in Toronto, they were trading at C$28⅝ – up C$1 on the day.

The group is led by Professor Robert Church of the University of Calgary in Alberta. Prof Church, who claims to have the backing of prominent Canadian individuals, said the group is in the last process of due diligence. "There are two or three loose ends we want to clear up," he added.

Institut Mérieux, itself majority owned by Rhone-Poulenc, would control 51.4 per cent of the new company on a fully diluted basis.

PKbanken 14% ahead

By Robert Taylor

PKBANKEN, Sweden's third largest commercial banking group, increased its operating profit by almost 14 per cent in the first four months of this year to SKr1.11bn ($165m) from SKr976m for the same period of 1988.

Net interest income rose by 8 per cent to SKr1.97bn. But state-controlled PK said it expected expansion to increase more slowly over the rest of the year.

KLM's pre-tax profit soars by 38%

KLM Royal Dutch Airlines said provisional figures showed pre-tax profit for the year ended March rose 38 per cent to Fl 434m ($192m) from Fl 314m a year earlier, AP-DJ reports. Net income per share rose to Fl 7.08 from Fl 5.94, the 39.4 per cent state-owned Dutch flag carrier said.

KLM did not break out fourth-quarter results but analysts said these had "almost certainly" been boosted by extraordinary gains from aircraft sales that had been anticipated in the final quarter.

Although the last quarter is usually characterised by depressed results for seasonal reasons, it appears that KLM swung into a profit of Fl 27.4m from a loss of Fl 8.2m a year earlier.

INTERNATIONAL COMPANIES AND FINANCE

Porton slashes profits forecast

By Peter Marsh in London

PORTON INTERNATIONAL, a UK pharmaceutical and biotechnology company backed by £76m from some of Britain's leading financial institutions, has published projections that envisage substantially reduced profits compared with a forecast the company made four years ago.

The projections say the company aims to make a pre-tax profit of £6m in 1989. That compares with the £128.2m profit figure which investors were told in 1985 might be possible for this year.

Porton was set up in 1982 by Mr Wensley Haydon-Baillie, its chairman. It showed a taxable profit of about £5m last year, compared with a 1985 projection of £66.6m.

Shareholders in Porton include Legal & General, Sun Alliance, Lloyds Bank, Friends' Provident and the pension funds of British Telecom, Barclays Bank and the Post Office.

Some investors have expressed concern at the company's rate of progress, but others say Porton is still on course to turn into a highly successful health care group in the 1990s, although it has grown less fast than expected.

The company is developing a range of medications for conditions including leukaemia, herpes, muscle disease, AIDS and heart attacks. It had sales last year of some £14m.

In a new document issued to shareholders at recent meetings in London and Edinburgh, Porton forecasts sales growing to £21.2m in 1989 and reaching £154.8m in 1992, when it expects pre-tax profit to be £71.4m.

In the past Porton has emphasised that changes in some of its projections have been made for sound commercial reasons and that it has not been disappointed about failing to meet earlier objectives. No one was available at the company to discuss the latest projections.

A fund manager at one of the shareholders said he felt "quite comfortable" about Porton's progress. "The company is still potentially very exciting," he said.

Another shareholder said that although drug companies commonly took a long time to push their products through development programmes, he was worried by the lack of evident progress. "I do not like the way the forecasts keep going off into the distance," he said.

Much of the discussion about Porton has concerned a combined vaccine and therapeutic agent for herpes. Its potential market is thought to be large, especially in the US. Porton's herpes product is based on development work started at Birmingham University and continued at the Department of Health's Centre for Applied Microbiology and Research at Porton Down, near Salisbury, Wiltshire.

Mr Haydon-Baillie's company reached an agreement with the Government four years ago for exclusive rights to commercialise products emerging from the Porton Down laboratories.

Porton said last year it hoped the herpes product would go on sale in 1990, two years behind the initial schedule.

Now it appears that significant sales of the product are unlikely to build up until 1992 or 1993, although the company says that clinical trials in the US are progressing well.

In Porton's latest documents, the company is indicating that useful sales will come in 1990 and 1991 from other drugs, used to treat leukaemia, muscle disease and haemophilia.

The company also hopes to launch in the early 1990s a diagnostic kit to monitor levels of potassium in the blood, which can indicate a range of disorders.

Last year, Mr Haydon-Baillie, chairman of Optical & Medical, a quoted electronics company, recruited Mr John Burke to the post of chief operating officer at Porton. Mr Burke, previously a director of Glaxo, Britain's biggest drugs company, has attempted to make the development programme more cohesive.

INTERNATIONAL APPOINTMENTS

Alcan Aluminium names president's successor

THE MONTREAL based Alcan Aluminium announced the appointment of Mr Jacques Bougie as president and chief operating officer from the beginning of July.

He will fill the positions currently held by Mr David Morton, 58, who, as previously reported, will succeed Mr David Culver on that date as chairman and chief executive.

Mr Culver is leaving Alcan at the age of 65 and plans to start his own business not connected with the aluminium industry.

Mr Bougie, 41, joined Alcan in 1979 and is at the moment president, Alcan Enterprises (Canada and USA), responsible for Alcan's fabricating operations in North America, other than rolling.

● Mr Allan Gotlieb, 61, who was Ambassador of Canada to the US from 1981 to 1989, has been elected to the Alcan board of directors.

His preceding roles included Undersecretary of State for External Affairs and deputy minister of other departments of the Government of Canada in Ottawa.

★ ★ ★

HARCOURT Brace Jovanovich, the large US publishing, theme park and insurance group, named former US energy secretary Mr John Herrington as a director, increasing the size of its board to 17.

The company is encumbered with heavy debt, caused in 1987 by an approximate $3bn recapitalisation devised to repel the unsuccessful takeover attempt by Mr Robert Maxwell, the UK publisher. The debt, although now substantially reduced, still exceeded $1bn at the last count earlier this year, and Harcourt has yet to emerge from a resulting loss-making position.

Mr Herrington, who served as energy secretary during Mr Reagan's second term as US President, is a partner in the Californian law firm of Herrington and Herrington.

★ ★ ★

IMPERIAL Chemical Industries, the UK's largest chemicals group, announced some top changes in the North American sector.

Dr Ben Lochtenberg is to become chairman of ICI Americas on August 1 on the retirement of Mr Harry Corless.

Dr Lochtenberg, currently president and chief executive of C-I-L Inc, ICI's Canadian subsidiary, will be succeeded on July 1 by Mr Jim Spence, at present a senior vice president of C-I-L. Dr Lochtenberg, in addition to his ICI Americas appointment, has been elected chairman of C-I-L.

★ ★ ★

UNISYS, a leading US computer group, has made Mr Andrew Robertson director of computer systems marketing for its Europe/Africa division.

Leadership change at International Multifoods

A CHANGE of leadership will take place at International Multifoods, the Minneapolis-based foods group, on July 1, when Mr Tony Luiso takes over as chairman and chief executive officer on the retirement of Mr Andre Gillet from these posts.

Mr Luiso will retain his current positions of president and chief operating officer, to which he was elected last July.

Prior to joining Multifoods in 1987, Mr Luiso was with Beatrice Cos for 15 years, serving in various executive positions, including president of its US Foods Division.

Mr Gillet has been with Multifoods for 38 years, and chairman and CEO since 1985.

★ ★ ★

COMPUDYNE named chairman Mr David Clark to the additional posts of president and chief executive.

COMPANY NOTICES

Mitsui Finance Australia Limited

A$ 200,000,000 Floating Rate Notes due 1991

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from May 22, 1989 to August 22, 1989, the Notes will carry an interest rate of 17.362 % per annum.

The interest payable on the relevant Interest Payment Date, August 22, 1989 will be A$ 4,376.18 per A$ 100,000 denomination.

The Fiscal Agent

KREDIETBANK
S.A. LUXEMBOURGEOISE

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS MANNINGCHOICE LIMITED (T/A LB Control Equipment)

Registered No. 1941016.
Trade Classification 07.
Nature of business: General Engineers.

NOTICE IS HEREBY GIVEN that Michael Joseph Moore and David James Waterhouse of Coopers & Lybrand of Albion Court, 5 Albion Place, Leeds LS1 6JP were appointed Joint Administrative Receivers of the above named company by Barclays Bank PLC on the 12th of May 1989.

M.J. MOORE
D.J. WATERHOUSE

Joint Administrative Receivers.

GEOFUND CONVERTIBLE BONDS

(Societe d'Investissement a capital variable (R.C. Luxembourg No. B21803)

The Manager of GEOFUND CONVERTIBLE BONDS (the "Fund") announces that with effect from 30th June, 1989, the Fund, at the request of the Manager, will cease to be authorised by the Hong Kong Securities Commission and units of the Fund will not be available for public sale in Hong Kong. Existing holders will maintain the right to redeem their shares at no extra charge.

Manufacturers Hanover Asset Management Limited, Manager. 15th May, 1989

THE COLNE VALLEY WATER COMPANY

NOTICE IS HEREBY GIVEN that the Transfer Books of Debenture Stocks will be closed for one day only on 6th June, 1989 for the preparation of Interest Warrants payable on 1st July 1989.

Dated this 25th day of May, 1989.

J.A. FENNELL
Secretary

Blackwell House
Aldenham Road
Watford, Herts
WD2 2EY

CLUBS

PUBLIC NOTICE

MMC INVESTIGATION INTO THE SUPPLY IN GREATER LONDON OF ELECTRICAL CONTRACTING SERVICES AT LARGE EXHIBITION HALLS

The Monopolies and Mergers Commission is investigating whether a monopoly situation exists in relation to the supply in Greater London of Electrical Contracting Services at large exhibition halls.

Any person wishing to give information or views on the matter should write as soon as possible, but not later than 23 June to The Secretary (Exhibition Inquiry), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

LEGAL NOTICES

No.002785 of 1989
IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION
IN THE MATTER OF SWADDLERS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition presented to Her Majesty's High Court of Justice on 11th May 1989 for the confirmation of (1) the reduction of the capital of the above-named Company from £25,000,000 to £250,000 and (2) the reduction of the Share Premium Account of the said Company from £3,258,504 to £82,585 is directed to be heard before the Honourable Mr. Justice Peter Gibson at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 12th day of June 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reductions of capital and Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors in payment of the regulated charge for the same.

DATED this 25th day of May, 1989

Mackenzie Mills of
Quality Court,
Chancery Lane,
London WC2A 1HP

Solicitors for the above-named Company

NOTICE OF CREDITORS' MEETING IN ADMINISTRATION PROCEEDINGS

Clarence Insulation Services Limited

Notice is hereby given that a meeting of creditors in the above matter is to be held at The Grosvenor House Hotel, Charter Square, Sheffield 1 on 15 June 1989 at 11.00 a.m. to consider my proposals under sections 3(2) and 25(1) of the Insolvency Act 1986 and to consider establishing a creditors' committee.

Proxy forms should be completed and sent to me by the date of the meeting if you cannot attend the meeting and wish to be represented. In order to be entitled to vote at the meeting your must give to me, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim, if you have not already done so.

D J STOKES
Administrator
17 May 1989

IN THE MATTER OF THE INSOLVENCY ACT 1986 and IN THE MATTER OF LOPOL COMMUNICATIONS LIMITED (In Voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 105 of the Insolvency Act 1986 that a General Meeting of the Members of the above named Company will be held at 1 Wardrobe Place, Carter Lane, London EC4V 5AJ on Tuesday, 13th June 1989 at 10 a.m. to be followed at 10.15 a.m. by a General Meeting of the Creditors for the purpose of receiving an account of the Liquidator's Acts and Dealings and of the conduct of the Winding-up to date.

Dated this 1th day of May 1989

P.W.J. Hartigan
Liquidator

IN THE MATTER of CONNAUGHT PAPER SALES LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of May, 1989, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned BRIAN MILLS of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ the Joint Liquidator of the said Company, and, if so required by notice in writing from the said Joint Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 4th day of April 1989.

Liquidators

IN THE MATTER of CONNAUGHT MACMILLAN PAPER LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of May, 1989, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned BRIAN MILLS of 1 WARDROBE PLACE, CARTER LANE, LONDON EC4V 5AJ the Joint Liquidator of the said Company, and, if so required by notice in writing from the said Joint Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 4th day of April 1989

Liquidators

IN THE MATTER of E.M. AGENCIES LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of May, 1989, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned BRIAN MILLS of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ the Joint Liquidator of the said Company, and, if so required by notice in writing from the said Joint Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 4th day of April 1989.

Liquidators.

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS PARROT CORPORATION LIMITED

Registered number: 1730778
Nature of business: Manufacturer of floppy disks
Trade classification: Other Manufacture
Date of appointment of joint administrative receivers: 15 May 1989
Name of person appointing the joint administrative receivers: Welsh Development Agency
JOSEPH PATRICK CONSIDINE and HYWEL GWYN JONES
Joint Administrative Receivers
(Office holder nos 056 and 156)
Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ.

ART GALLERIES

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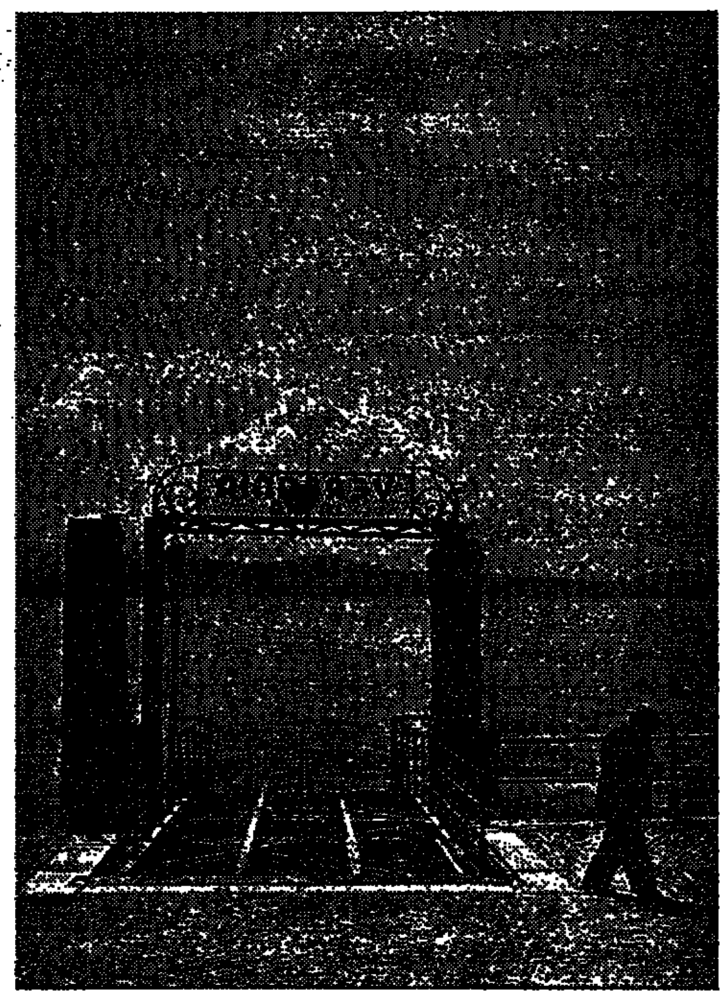


In global finance, the best opportunities seldom arrive on schedule. To move when the time is right, you need local-market intelligence viewed from a global perspective.

JPMorgan

INTERNATIONAL COMPANIES AND FINANCE

Matsushita leaps 30% to Y213.5bn

By Ian Rodger in Tokyo

CONSOLIDATED NET profits of Matsushita Electric Industrial, the leading Japanese consumer and industrial electronics group, jumped 30 per cent to Y213.5bn ($1.5bn) in the year to March, on a 9 per cent rise in sales to Y5,504.3bn.

The company has proposed a special Y2.5 dividend to commemorate the 70th anniversary this year of its founding. This would be added to the normal Y5 final dividend.

It has already made a one-for-20 free share distribution.

Matsushita attributed the sharply higher profit to "active consumer spending and private capital investment in Japan," and emphasised that overseas markets had been difficult.

Video equipment sales rose 5 per cent to Y1,568.4bn as a result of strong demand for camcorders and large screen colour televisions. Communication and industrial equipment sales gained 15 per cent to Y1,104.4bn with Japanese language word processors proving popular at home and facsimile machines and multi-function telephones selling well everywhere.

Electronic component sales were up 14 per cent, owing mainly to a strong market for semiconductors. Audio equipment and home appliance sales rose only 2 and 3 per cent respectively to Y515.1bn and Y776.8bn.

Matsushita also announced that its parent company pre-tax profit rose 14 per cent to Y249.5bn on a 9 per cent increase in sales to Y4,074.7bn.

Consolidated net income per share was Y99.94 (Y80.34).

The company has forecast a 5 per cent rise in sales in the current year, although this will appear smaller than 5 per cent because of the repeal last month of commodity taxes on many of its products.

Consolidated net income is expected to rise 8 per cent to Y231bn.

Strong domestic side puts Komatsu on upward curve

By Robert Thomson in Tokyo

KOMATSU, the Japanese construction machinery maker, yesterday reported an annual pre-tax profit of Y28.5bn ($200m). It forecasts that the growth in domestic sales which has turned the profit trend upward in the past year will continue to compensate for falling exports.

The company, in the first year of a new accounting period, had sales of Y566.5bn, up from the previous full-year sales of Y539bn in 1987. Consolidated sales were Y792.8bn and consolidated net profit was Y20.83bn in the year to end March.

Increased investment in Japan's private housing sector and higher public works expenditure were cited by Komatsu, second to Caterpillar of the US in the world construction machinery market, as conditions responsible for raising domestic sales of hydraulic excavators and mini-excavators. In total, domestic sales rose as a proportion of total sales from 55.6 to 64.7 per cent in the 15 months to March.

Strong domestic demand also led to improved sales of small and medium-sized presses and metal fabricating machines. The company forecasts pre-tax profit will rise this year to Y31.5bn.

Japanese investment in equipment boosts Omron

By Stefan Wagstyl in Tokyo

OMRON TATEISI Electronics, the world's largest maker of electronic control equipment, has reported a 68 per cent increase in annual pre-tax profit to Y26.2bn ($185m) due to strong investment in plant and equipment by Japanese industry.

Sales grew by 16.5 per cent to Y323.7bn, said Omron, which was reporting parent company results for the year to March.

This included an 11 per cent increase in the mainstay industrial systems division and a 48 per cent in the small and fast-growing medical equipment business. Omron said cost-cutting management helped to improve its margins.

In the current year the company expects sales to rise by a further 10 per cent due to continuing capital investment and profits are forecast to rise by 11 per cent to Y29bn pre-tax.

For the year just ended Omron is paying Y14.5 in dividends, including a Y3.5 special dividend. This year it plans to pay a normal Y11.

● Kokusai Electric, a maker of electronic components and communications equipment, lifted pre-tax profits 46.3 per cent to Y9.16bn in its March year, on sales up 24.4 per cent to Y99.5bn.

Bond plans fresh round of asset sales

By Chris Sherwell in Sydney

MR ALAN BOND, the Australian entrepreneur who announced a big restructuring of his business last week, is negotiating further asset sales and other transactions designed to counter the financial pressures on his empire.

In interviews published yesterday in two Sydney newspapers, he forecast that the debt of Bond Corporation, his flagship, would fall well below A$1bn (US$750m) by the end of 1989. The figure apparently excluded convertible bonds.

Among the fresh revelations, he indicated his group was negotiating the sale of part of its oil and gas properties, apparently to a Japanese group, and was seeking joint venture partners for its major property development assets in Sydney (Chifley Square), London (St George's Hospital) and New York (St Moritz hotel).

Mr Bond also hinted at the future of Bond Corporation International, the group's Hong Kong offshoot. At present Bond Corporation holds 68 per cent of BCIL. Mr Bond indicated it would either bid for the minorities or sell down to 49 per cent.

Bond Corporation would also buy out the 20 per cent stake in Bell Group held by the Western Australia State Government Insurance Commission. This will cost A$2.70 per share, far ahead of the current market, because Bond Corporation guaranteed the commission this price when it acquired the Bell stable last year.

Regarding last Friday's announcement that Bond Corporation is to sell its brewing assets to the 58 per cent-owned Bell Resources, Mr Bond said Bond Corporation's planned reduction of its Bell Resources stake to below 50 per cent would occur later, perhaps after 12 months.

Negotiations on the planned sales of Bell Resources' coal assets and of its Weeks petroleum royalty were said to be well advanced.

Minolta lifts profit despite dip in revenue

By Ian Rodger

PRE-TAX profits of Minolta Camera, a camera and business machines group, rose 18.1 per cent to Y6bn ($42.3m) in the year to March despite a 1.2 per cent drop in sales to Y194.5bn.

Minolta said sales of cameras were down 6.7 per cent due to sluggish exports, but sales of copiers and other business machines rose 4.5 per cent, because of brisk domestic sales.

In the current fiscal year, Minolta expects its pre-tax profit to rise 8 per cent to Y6.5bn.

ANZ Bank records 60% jump in operating income

By Chris Sherwell

AUSTRALIA and New Zealand Banking group (ANZ), one of Australia's Big Three trading banks, announced a strong increase in interim profits yesterday, joining its two competitors who reported last week.

The strong domestic economy, a reduced rate of corporate tax and further containment of costs all contributed to an after-tax operating profit for the six months to March of A$368.3m (US$276.3m), up 60 per cent on the same period last year.

Mr Will Bailey, group chief executive, said that with a 17.8 per cent return on shareholders funds, profitability had been restored to "acceptable levels" following three years of "relative underperformance."

In a statement, the group said it expected the profit level to be maintained in the second half, despite signs of a weaker economy, and declared a franked interim dividend of 22 cents per share. But in a weaker stock market ANZ's shares finished 10 cents lower at A$5.14.

A breakdown of the figures showed almost A$305m of the profit came from global banking operations, which showed a 58 per cent increase in earnings. Another A$53m came from finance company activities.

These improvements were in turn undermined by a trebled loss of A$10m in investment banking and a static profit performance from insurance operations.

On a geographic basis, Australia increased its dominance by generating earnings of A$247m, while the contribution from recession-hit New Zealand was slashed by a fifth to A$39.5m.

Other aspects included:

● Extraordinary items drove the bottom-line profit down 33 per cent to A$158.5m, largely because of a A$225m write-off of goodwill arising from ANZ's acquisition of Postbank in New Zealand.

● Group revenue (net interest and other income) rose 6.9 per cent to A$1.95bn, while operating costs increased only 0.2 per cent to A$1.18bn.

● The charge against profit for bad and doubtful debts was down 6.5 per cent, at A$154m. Of this, specific provisions amounted to A$114m, down 14 per cent on the same period last year but up 26 per cent on the second half.

● The "unsatisfactory" and "disappointing" performance of the investment banking division was blamed on low stock market turnovers and squeezed brokerage rates, poor results from fixed interest trading, and increased debt provisioning.

INTERNATIONAL CAPITAL MARKETS

Foreign fund groups win Japanese trust campaign

By Stefan Wagstyl in Tokyo

FOREIGN fund management companies have won a campaign for entry into the Y51,000bn ($359.4bn) Japanese investment trust industry.

The Ministry of Finance confirmed yesterday it would prepare guidelines for the admission of new companies, including foreign groups, into the industry by the end of this year and grant licences from early 1990.

In contrast to entry into some markets – notably membership of the Tokyo Stock Exchange – no pre-determined limit will be set on the number of foreign companies. Nevertheless, the level of investment which will be needed is likely to limit the foreign applicants to about six.

Executives at overseas fund management groups welcomed the MoF's decision, which was made in the face of opposition from Japanese securities companies.

The opening of the market to new companies could herald a wide-ranging upheaval in the Japanese investment trust management industry, which has been criticised for giving investors poor service.

Just 14 Japanese securities companies have been allowed to operate investment trusts for the past 25 years. Four of them – Nomura, Daiwa, Nikko and Yamaichi – account for 75 per cent of the market. Ever since a stock market crash in 1964 hit investment trust managers, the MoF had refused to *issue new licences until existing management companies* were fully rehabilitated. The process was completed this year.

The basis of the MoF's plan for the future of the industry is a report it accepted this week from an advisory panel of experts. As well as admitting new companies into the market, the report recommends forcing fund managers to give more details about their financial performance in order to promote competition.

The authors doubt the wisdom of banks being allowed into the industry because of the possible conflicts of interest between a banking parent, which holds large amounts of stock on its own account, and a fund management subsidiary, which acts for clients.

By the same token, the report supports measures to stamp out similar conflicts of interest at existing fund management groups owned by Japanese securities companies. Problems arise even when there are strong fire walls between different parts of the business, the report says.

Japanese securities companies have been criticised for allowing two kinds of abuse to develop; one is shifting poorly performing shares from a house account to the investment trust, while the other is boosting investment trust turnover in order to generate revenue.

To answer these criticisms the industry is planning reforms, including an end to posting senior managers to the *investment trust* company from the parent securities house.

Foreign companies will face some stiff tests before being granted licences. The report says new companies must satisfy the MoF about their investment records, the stability of their management and the adequacy of their Japanese sales network.

The MoF stressed the last condition could prove difficult for some foreign companies to meet. "Not many companies can clear this high hurdle," it said.

The foreign groups who are interested in managing Japanese investment trusts include Shearson Lehman Investment Management, Warburg Investment Management, Merrill Lynch Securities, Jardine Fleming Securities and Credit Suisse First Boston.

Mr Jean-Paul Renoir, chairman of Shearson Lehman Asset Management Group Asia, said not many foreign companies had the determination and commitment needed to enter the market.

In order to create a sales network, foreign companies are developing links with Japanese companies, including small- and medium-sized securities companies and regional banks, to win access to retail customers.

In some cases the Japanese agents could become partners – sharing with the foreign group an equity interest in the Japanese trust management company, for example.

Eventually foreign groups *might take stakes in their Japanese partners, or vice versa.*

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅞ 95	600	100⅝	101	0	+1¼	9.17
Austria 9⅝ 93	140	†100¾	101¼	−0⅛	+0½	9.28
B.F.C.E. 7 92	150	93¾	94¼	0	+0¼	9.48
B.F.C.E. 9¼ 95	150	99½	100	−0¼	+0⅞	9.28
Brit. Tel. Fin. 9⅜ 98	250	100⅜	100⅞	−0⅛	+1½	9.28
Campbell Soup 9⅛ 93	100	*†98¼	98¾	0	+1	9.53
Canada 9 96	1000	100⅞	101⅜	−0¼	+1	8.76
Canadian Pac 10¾ 93	100	†101⅝	102⅛	0	−0¼	10.15
C.C.C.E 9¼ 95	300	99⅞	100¼	0	+1	9.20
C.N.C.A 9⅜ 93	150	100	100⅜	−0⅛	+0⅝	6.33
Credit National 8¾ 93	200	96⅛	96½	−0⅛	+0½	9.39
Credit National 7⅜ 92	100	94¾	95¼	−0⅛	+0¼	9.40
Credit National 9½ 92	160	100⅞	101⅜	0	+0⅜	9.09
Dai-Ichi Kan 9⅝ 92	150	100½	101⅛	+0⅜	+0⅞	9.32
Denmark 7⅛ 92	500	94	94½	−0¼	+0⅜	9.55
E.E.C. 7 91	100	94¾	95¼	−0⅛	+0¼	9.27
E.E.C. 7¼ 93	250	93⅜	93⅞	−0⅛	+0½	9.31
E.E.C. 10 93	140	†102⅛	102⅝	−0¼	+0⅛	9.26
E.I.B. 7⅝ 93	100	93⅝	94	−0⅛	+0⅜	9.35
E.I.B. 9⅜ 97	150	100⅞	101⅝	−0⅛	+1⅛	9.16
Eurofima 10⅛ 93	100	*†102⅞	103¼	0	+0¼	9.14
Elec. De France 9 98	200	98⅜	98⅞	−0⅛	+1¼	9.22
Elec. De France 9½ 99	200	101¼	101½	−0⅛	+1½	9.27
Finland 7⅞ 97	200	92⅝	93	+0⅛	+1¼	9.24
Fin. Exp. Cd. 8½ 92	200	97½	98	0	+0⅜	9.42
Fin. Exp. Cd. 9¼ 95	200	†99¾	100¼	0	+0⅜	9.35
Ford Motor Credit 8 91	250	†96⅞	97⅜	0	+0⅛	9.76
Gen. Elec. Cap. Corp. 9 93	300	†98⅛	98⅝	0	+0⅜	9.47
Gen. Elec. Cap. Crp. 10 1/2 90	300	†101¾	102¼	+0⅛	+0⅞	9.22
Gen. Mot. Corp. 9¼ 92	200	98⅞	99⅜	−0⅛	+0⅛	9.53
IBM Credit Corp. 8⅞ 91	250	98½	99⅛	−0⅛	+0⅛	9.37
IBM Credit Corp. 9½ 92	250	100⅞	101⅜	0	+0⅝	9.07
IBM Credit Corp. 10 92	200	102⅛	102⅝	−0⅛	+0½	9.04
Italy 9½ 95	1000	100⅞	101⅜	0	+1¼	9.24
Italy 9⅝ 99	1000	†101½	102	−0⅜	+1⅛	9.33
Japan Dev. Bank 10 96	200	103⅝	104⅛	−0⅛	−1¼	9.22
L.T.C.B. of Japan 9¼ 92	200	99⅛	99⅝	−0⅛	+0¼	9.43
Metropolis Tokyo 9¼ 93	200	100⅝	101⅛	−0⅛	+0½	9.17
Nippon Tel.&Tel. 9⅜ 98	250	100½	101	−0⅛	+1¼	9.26
Norway 8¼ 93	500	98⅛	98⅝	−0⅛	+0½	9.26
Portugal 8¼ 91	300	†97	97½	−0⅛	+0¼	9.93
Prudential Crp. 8¾ 94	125	98⅞	99⅜	−0⅛	+0⅜	8.96
State Bk. S Aust 9¼ 93	100	†99⅛	99⅝	0	+0⅜	9.43
Sumitomo Bank 9⅝ 92	150	†100	100½	−0⅛	+0¼	9.50
Sweden 7 91	250	95	95½	−0⅛	+0¼	9.35
Sweden 8¾ 96	200	97⅞	98⅜	−0⅛	+1⅛	9.15
Sweden 8½ 92	200	†97¼	97¾	0	+0¼	9.40
Toyota 9½ 91	200	99⅞	100⅜	−0⅛	+0⅜	9.45
Victorian Rep 11⅝ 92	150	†105	105½	0	+0⅝	9.48
World Bank 7 92	300	†94½	95	−0⅛	+0¼	9.27
World Bank 9 97	300	98½	99	−0⅛	+1	9.21
World Bank 9 93	300	99⅛	99⅝	−0⅛	+0⅝	9.10
World Bank 9¼ 98	300	100⅛	100⅝	−0⅛	+1⅝	9.17
World Bank 9⅝ 99	500	102⅛	102⅝	−0⅛	+1⅝	9.19
World Bank 9¾ 96	300	102⅜	102⅞	0	0	1.02

Average price change... On day −0⅛ on week +0¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	94⅞	95¼	0	−0¼	7.11
Austria 6¾ 99	750	†96⅝	97⅛	+0⅜	+0⅝	7.18
Bank of Tokyo 5¾ 93	100	94⅞	95⅜	−0⅜	+0¼	7.27
Commerzbank o/s. 5⅜ 93	300	94¼	94¾	+0⅛	−0⅝	7.14
Credit Foncier 6¾ 99	500	†96⅝	97⅛	+0¼	+0⅝	8.20
Degussa Int. 6⅛ 97	200	91⅝	92⅛	−0⅛	−2⅝	7.49
E.I.B 5½ 98	150	88	88½	0	−0¼	7.34
E.I.B. 6¼ 99	600	93⅜	93¾	+0⅛	−0¼	7.20
E.I.B. 6⅛ 96	300	93⅞	94⅜	+0¼	−0⅛	7.20
E.I.B. 6½ 99	300	†95	95½	+0⅜	0	7.19
E.I.B. 6¾ 95	300	98⅞	99⅜	+0⅛	+0¼	7.04
Euro.Coal& Steel 5⅞ 97	175	91½	92	+0⅛	−0⅝	7.30
Eurofima 6⅛ 96	100	94⅜	94⅞	−0⅛	+0⅜	7.24
Elec De France 5⅝ 97	300	89⅞	90¼	−0¼	−2	7.44
Forsmark Krtg. 5⅛ 93	200	92⅞	93¼	+0¼	0	7.31
Hydro-Quebec 6¾ 99	300	†96⅞	97	+0⅜	+0½	7.20
Japan Dev. Bk. 5⅜ 95	300	†91½	92	0	−1⅛	7.13
Japan Finance 5¾ 97	100	91⅝	92⅛	−0⅛	−0⅝	7.15
Ireland 6½ 97	300	94¼	94¾	0	−0½	7.44
Malaysia 6¼ 94	150	95¾	96¼	0	0	7.21
Nat. West BK. PLC 6 98	300	†91¼	91¾	0	−0½	7.33
N.H.L. Finance 6¼ 95	200	†93¼	93¾	0	0	7.55
Nippon Telg.&Tel. 6 95	400	†94¾	95¼	0	−0½	6.43
Oesters. Kontbk. 5 93	300	94½	95	0	+0⅜	6.64
Portugal 5¾ 92	150	97⅛	97⅝	−0¼	−0⅛	6.68
Portugal 6⅝ 95	150	97¾	98¼	+0¼	−1⅛	7.03
Privatbanken 5¾ 93	150	93	93½	0	−0⅜	7.36
Royal Insurance 5½ 92	300	95⅛	95⅝	+0⅛	−0⅞	7.33
Soc Cent Nuclear 7¾ 95	150	99½	100	−0¼	−0⅞	7.30
Turkey 6½ 95	500	†93¾	94¼	0	−1	7.79
Union Bk. Finland 5½ 94	200	†94	94½	+0½	+0⅜	6.98
Westlb. Finance 5 93	200	*†92½	93	0	−0⅜	7.26
World BK. 6¼ 97	600	94½	94⅞	+0⅛	+0¼	7.52

Average price change... On day +0⅛ on week −0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†91½	92	+0½	+0⅜	6.47
Asfinag 5 03	100	†90	90¼	−0¼	+3½	6.05
B.F.C.E. 4½ 98	200	†89	90	−0¼	+0½	6.05
B.M.W. Fin. Neth. 5 13	150	†86½	87	+0¼	+0¼	6.06
Britannia B/S. 4¼ 94	100	†90	91	+1	+1	6.52
CIR. Int. W/W 3 93	125	†92	92¼	0	+3	5.15
Credit Lyonnais 4¾ 00	100	†84½	85	−0½	+0¼	6.76
E.I.B 4⅝ 98	150	†89	89¾	+0⅜	+0⅜	6.19
Fletcher Chall. 4⅞ 98	150	†88½	89½	+0⅜	0	6.54
Kobe City 4⅝ 98	150	†88½	89½	+1⅞	−1½	6.24
Leeds Perm. B/S. 4⅛ 93	200	†91	91¾	0	−0⅛	6.71
Malaysia 5¼ 98	100	†85	85¼	+2	+1⅞	7.56
Maxwell Comm. Crp. 5 95	150	†83¾	84	−0⅛	+0¼	8.57
Nat. Bk. Hungary 5½ 94	75	†93	95½	−1¼	−1⅛	6.76
Nationwide Ang. B/S. 4 93	200	†91	91½	−0¼	+0¾	6.51
Nippon Telg.&Tel. 4¼ 95	200	*†92½	92½	0	0	5.70
Oesters. Kbk. 5 03	75	†91	92	0	+0¼	5.90
Prov. Newfoundland 5 03	150	†90	91	+0⅜	+0⅝	5.99
Thailand 4⅝ 95	200	†91	92	0	0	6.34
World Bank 5 03	150	†90	91	+0⅜	+4⅞	6.01

Average price change... On day +0¼ on week +0¾

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅛	101⅜	−0⅛	−0⅜	5.34
Canada 5⅝ 93	80	101¼	101½	−0¼	−0⅝	5.24
Eurofima 5 1995	20	98⅝	99⅛	−0¼	−0½	5.22
E.I.B. 4⅞ 93	30	98⅜	98⅝	−0¼	−0½	5.32
Ireland 5⅛ 93	30	99⅜	99⅞	−0¼	−0⅜	5.23
Norway 5⅛ 95	50	99⅝	99⅞	−0¼	−0½	5.17
Sweden 4⅝ 93	50	97⅜	97⅝	−0¼	−0½	5.34
World Bank 5⅛ 98	10	98⅜	98⅞	−0¼	−0½	5.32
World Bank 7 94	20	107¼	107¾	−0⅛	−0⅝	5.23

Average price change... On day −0¼ on week −0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10⅛ 93 £	50	94	94⅜	−0⅛	−0⅞	12.27
Abbey Nat. 11⅝ 95 £	100	98	98⅜	0	−0⅞	12.06
Alg. Bk. Ned. 5½ 92 FL	150	94⅜	94⅞	−0¼	−0⅛	7.74
Alg. Bk. Ned. 5¾ 93 FL	200	94	94⅝	+0⅛	−1⅛	7.53
Austria 7½ 94 ECU	100	95⅛	95⅝	+0⅛	0	8.70
Bk. Nova Scot. 14⅞ 90 A$	75	95⅝	96⅛	0	−0⅝	17.40
Barclays Aus. 13½ 91 A$	100	96⅛	96½	−0⅛	−0¼	15.37
Belgium 8⅛ 94 Ecu	150	97½	98	+0⅛	+0¼	8.71
BP Capital 9¾ 93 £	100	93¼	93¾	0	−0⅞	11.92
British Airways 10 98 £	100	90⅞	91⅜	0	−1	11.65
Buhrmann-Tet. 6⅝ 93 FL	100	†96¼	96¾	0	−0⅛	7.38
Comm. Bk. Aust. 12⅝ 93 A$	100	†92¼	92¾	−0¼	+0¼	15.26
Coop. Ctr. Rabo. 6⅛ 93 FL	100	96⅝	97⅛	0	−1⅛	7.24
CrLocalFrance 9¾ 92 Ecu	100	101⅛	101⅝	+0⅛	−0⅛	8.71
Deut. Bk. Aus. 13⅜ 93 A$	125	95½	96	−0⅛	−2	14.65
Deutsche Bk. Fin. 15 94 A$	100	101⅜	101⅞	+0¼	+0⅛	14.50
Eastman Kodak 13 90 A$	100	95⅜	95¾	−0⅛	−0¼	17.10
E.I.B. 7 96 LFr	100	96⅞	97⅜	−0⅜	−0⅛	7.53
E.I.B. 9 99 Ecu	150	100⅛	100⅝	+0⅛	+0¼	8.94
Elec. France 10¾ 95 C$	125	†99⅛	99⅝	−0¼	+0½	10.39
Eurofima 7⅜ 94 Ecu	100	95½	96	0	−0⅛	8.75
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†97	97½	−0¼	+0⅛	10.85
Fed. Bus. Dv. Bk 10½ 93 C$	50	99⅛	99⅝	−0¼	+0½	10.64
Ferr. Stato 7¾ 93 Ecu	100	96	96½	0	0	8.89
Ford Cr. Can. 10⅜ 93 C$	100	†99	99½	−0¼	+0⅜	10.97
Ford Cred. Can. 10⅞ 96 C$	125	100⅛	100½	−0⅜	+0¼	10.80
Ford Mtr. Cred. 7⅞ 93 Ecu	100	96⅜	96⅞	+0¼	0	8.96
G.M.A.C. 9¾ 93 C$	150	†95⅞	96⅛	−0⅜	+0¼	11.05
Hydro-Quebec 11 99 C$	400	102¼	102½	−0⅜	+1¼	10.58
Lloyds Bank 10¼ 98 £	150	91⅞	92⅜	0	−0⅞	11.71
Lloyds Bank 11⅛ 98 £	100	95⅛	95⅝	−0¼	−1	12.19
Montreal Tst. 10¾ 93 C$	100	†98½	99	−0¼	+0⅝	11.12
Morgan Guar. Tst. 11 91 C$	150	99	99½	−0⅜	−0½	11.43
Nat. Aus. Bk. 14¾ 94 A$	100	97⅞	98⅜	−0⅛	−0⅝	15.27
New Zealand 9½ 93 £	100	92⅛	92⅝	0	−0⅞	12.04
Philips Gleoil. 6 93 FL	300	94⅞	95⅜	0	−0½	7.38
Privatbanken 7½ 94 LFr	500	97⅞	98⅞	−0⅜	−0⅞	7.91
Royal Bk. Scot. 10⅝ 98 £	125	93½	94	+0⅛	−1⅛	11.84
Saskatchewan 9⅞ 91 C$	150	†97	97½	−0¼	−0⅜	11.34
Saskatchewan 10¼ 93 C$	200	98⅛	98⅝	−0⅜	+0¼	10.69
State Bk. NSW. 13¾ 93 A$	100	95¼	95¾	−0¼	−1⅛	15.24
Sweden 15 94 A$	100	101	101½	−0⅛	−1⅛	14.57
Union Bk. Switz. 7½ 93	150	†96⅞	97⅜	+0¼	0	8.23
World Bank 13⅞ 92 A$	100	99⅞	100⅜	+0⅛	−0⅜	13.33
Zentrspk. 13¼ 93 A$	75	†96	96½	+0¼	−1⅞	14.41

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.88	99.93	18/07	13.08
Bank of Greece 99 US	0¼	99.58	99.68	8/09	10.62
Belgium 91 US	0	100.23	100.33	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.86	99.91	30/05	13.47
Credit Foncier 98 US	.063	100.25	100.35	20/10	10.16
Dresdner Finance 99 DM	.031	99.97	100.08	27/07	6.59
EEC 3 92 DM	0	100.44	100.54	20/08	5.63
Halifax BS 94 £	.1	99.87	99.93	6/08	12.97
Invt. In Industry 94 £	0¼	100.05	100.15	24/05	13¼
Leeds Perm. B/S. 94 £	0⅛	100.04	100.10	13/07	13.34
Midland Bank 01 £	.1	98.40	98.70	11/08	12.97
Milk Mkt. Brd. 5 93 £	0¹⁄₁₆	99.90	99.95	30/06	13.06
New Zealand 5 97 £	.07	100.04	100.14	18/08	13.19
State Bk. Nsw. 98 US	.188	100.45	100.55	11/08	9.87
Woolwich Equit. BS. 93 £	0⅛	100.01	100.06	13/07	13.37
Woolwich 5 95 £	0⅛	99.86	99.91	19/08	13¼

Average price change... On day −0.01 on week +0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	†8/87	62.	116½	117½	−0⅜	9.08
Amer. Brands 7¾ 02 US	9/87	56.7	122½	123½	−0⅝	1.62
Ashikaga Bank 2⅛ 02 US	4/87	967.	123¾	124¾	+0⅜	5.38
Asics 5 92 DM	12/83	472.7	264½	265½	0	6.23
CBS. Inc. 5 02 US	4/87	200.	101½	102½	+0⅝	2.91
Primerica 5½ 02 US	4/87	66.75	67	68	+0¼	102.50
Eng. China Clay 6½ 03 £	9/88	4.8	105⅞	106⅞	−0⅜	4.63
Fujitsu 3 99 US	5/86	1106.	218⅜	219⅜	−8⅝	−2.73
Land Secs. 6¾ 02 £	6/87	6.72	96¼	97¼	0	11.90
Minolta Camera 2¼ 94 DM	2/86	1004.	114⅛	114⅞	+0¼	6.07
MCA Inc 5¼ 02 US	9/87	69.62	92⅞	93⅞	+0½	16.19
Mitsubishi Bk. 3½ 04 US	5/89	3266.	94	95	−1⅛	5.42
Mitsui Trust 2⅞ 01 US	10/86	1903.	118	119	−2	3.25
Next Plc 5¾ 03 £	11/87	4.3	98⅞	99⅞	−0½	187.27
Nichi Nipp. Bk. 2⅞ 03 US	4/88	804.	112¼	113¼	−0⅜	−0.38
Ozone Tateisi 2⅝ 02 US	4/87	1310.	223⅝	224⅝	−8⅛	−2.04
Ranks Hovis 4¾ 03 £	1/88	3.5	125	126	−2⅜	−3.88
Redland 7¼ 02 £	1/87	5.4	111½	112½	−2	0.13
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	91½	92½	0	29.21
Sumitomo Bank 3¼ 04 US	2/89	4296.	86¾	87¾	−1¼	18.74
Texas Inst. 2¾ 02 US	9/87	82.87	76	77	0	44.48
W.R. Grace 6¾ 02 US	9/87	42.12	95¼	96¼	+0½	19.35

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; *the amount issued is in millions of currency units except for Yen* bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem = Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

Benedetti buys into Spanish stockbroker

CORPORACION Financiera Reunida, the Spanish investment vehicle of Mr Carlo De Benedetti, the Italian financier, has teamed up with Spanish partners to acquire a 30 per cent stake in a Madrid-based stockbroker Eurofinanzas, Reuter reports.

Under a sweeping reform of Spanish stock exchanges, stockbrokers, who currently enjoy a monopoly as intermediaries in all share transactions, have the option of forming brokerages or share-dealing firms with minimum capital requirements.

Cofir is joining Banco Zaragozano, in which Spanish construction group Grupo Construcciones y Contratas-Grucycsa holds a dominant stake, and Divercisa, owned by Spanish charity for the blind ONCE, to acquire the stake in Eurofinanzas.

Grucycsa said Eurofinanzas had raised its capital to Pta1bn from Pta50m and had applied to the state-run National Securities Commission to be registered as a share-dealing company.

The commission has set a deadline of June 23 for applications from stockbrokers seeking to set up brokerage firms or share-dealerships, which can deal on their own account.

Existing Spanish stockbrokers are set to lose their monopoly on July 29.

Cofir and its partners have *taken the maximum legally* permitted stake in Eurofinanzas, although they will be allowed gradually to raise their stake.

Schroders to advise on sale of Italian bank

By Andrew Baxter

SCHRODERS, the UK merchant banking group, has been appointed to advise on the sale by IRI, the Italian state industrial holding company, of a 51 per cent stake in Banco di Santo Spirito, Italy's 18th largest commercial bank.

The appointment represents something of a feather in Schroders' cap, as it fought off competition from three or four international investment banks which had wanted the job. Schroders is also advising France's Crédit Lyonnais on its purchase of a controlling stake in Credito Bergamasco, a large private bank based in northern Italy.

Schroders will be advising both IRI and Cassa di Risparmio di Roma, Italy's second largest savings bank, which is buying the 51 per cent stake. IRI will retain a 33.7 per cent stake in Santo Spirito.

The UK merchant bank will be acting as an arbitrator, applying previously set criteria to reach an agreed price for the deal. Italian press reports have suggested the eventual price will value Santo Spirito at about L1,500bn ($1.03bn).

The Santo Spirito sale represents the first stage of a restructuring of the Italian public sector's interests in banking and finance, and further work for international merchant banks is likely.

Jordan to allow money-changers to reopen

JORDAN'S money-changers, forced by the Government to close in February to curb speculation against the dinar, may shortly be allowed to reopen following discussions with the central bank, Reuter reports.

According to bank officials, any decision to let the money-changers reopen would need more than two months' study. However, money-changers might be allowed to operate under tougher restrictions than before.

The Government's growing leniency results partly from the need to stamp out the local black market, which has been trading the dollar at 610 fils against the official rate of 540 fils.

Some banks have stopped selling dollars at the official rate. *Those that have* maintained a market have been adding in commissions to bring the effective rate up to the black market level.

Mitsubishi Bank plans NYSE listing

MITSUBISHI Bank plans to apply to the Securities and Exchange Commission to list its shares on the New York Stock Exchange, possibly by this year's third quarter, Reuter reports.

The listing may take the form of American depositary receipts but no details have been decided yet, a bank official said. Mitsubishi's listing would be the first by a Japanese company on the NYSE since 1982 and the first for a Japanese bank.

INTERNATIONAL CAPITAL MARKETS

Gilts warm to base rate rise with modest gains

By Katharine Campbell in London and Karen Zagor in New York

THE ONE percentage point increase in UK base rates, to 14 per cent, surprisingly did not knock the gilt-edged securities market off balance. Indeed, prices across the curve ended unchanged to firmer over the day.

The gilt market's cool-headed response – which puzzled some dealers – appeared to stem from the notion that most of the bad news must be out of the way for a while. A surprise provisional 1.4 per cent fall in April's retail sales figures helped, amid the confusion, to remind participants that the real economy is continuing to slow.

GOVERNMENT BONDS

Some UK institutions, which have been sitting on large piles of cash and which had been waiting to see off the next base rate rise, bought into the market.

However, foreign investors were far too preoccupied with sterling risk to consider such a move.

With the trade weighted index hardly changed on the day, even after the Bank of England's tightening, sterling's vulnerability was underscored, particularly in advance of today's trade figures. On Liffe, the June future closed ¼ point firmer at 94-11.

TRADING in the Dutch market revolved for most of the day around the new issue – the 7.5 per cent 10-year state loan. It was issued in the amount of Fl 6.5bn and priced at par, beginning trading at 99.83-93. It closed off the highs but still up on the day at 99.86-96, illustrating relatively good demand, particularly given the size of the issue.

Dealers said there had been firm demand from Dutch institutions, which had switched from US Treasuries – taking good profits on the way – into the new paper.

Most foreign investors, on the other hand, were selling German bunds in order to take a position.

WITH THE dollar "on its back" for most of day – although still holding over DM2 – German bonds firmed at the official fixings, with a good deal of short covering and position squaring before today's holiday in most of the country.

The 7 per cent federal bond due 1999 was priced 25 pfennigs higher than the previous day at 100.20 to yield 6.97 per cent.

The May consumer price increase for the first state to report, Baden Würtemberg, showed a relatively modest 0.2 per cent increase. It was largely ignored by the market, which was focusing more closely on currency movements.

Dealers noted that cash bunds are the cheapest to deliver into the Liffe June futures contract – several of them mature in 1998 – and are currently subject to something of a short squeeze.

SOFTNESS in European markets washed over into US bonds yesterday with Treasuries posting modest losses in light trading. At midday the benchmark 30-year bond was down ⅜ point at 102$\frac{11}{32}$, yielding 8.64 per cent.

According to some traders, the increase in UK base rates gave investors an excuse to back away from the US market and take profits.

The dollar, which has set a strong tone for the debt market this week, showed no sign of weakening in spite of intervention and the increase in UK lending rates.

In early afternoon the US currency in New York was about Y142.68 and DM2.0105, little changed from the previous evening's levels. Traders are still uncertain about whether the dollar can maintain its recent gains, and trading was choppy.

The bullish sentiment among bond traders at the beginning of the week has been dampened by indications that the Federal Reserve does not plan to ease monetary policy. Initial hopes among a minority of analysts that the Fed would lower rates to curb the dollar's rise have not been realised.

Furthermore, speculation over a change in Fed policy were dispelled by statements from Mr Manuel Johnson and Mr Robert Heller, two Federal Reserve Board members, which indicated that the Fed has no intention of easing rates.

When Fed funds were trading at 9¾ per cent, the Federal Reserve surprised the market by conducting six-day matched sales.

However, with the three-day Memorial weekend approaching, analysts said the operation was strictly a technical action.

Barring any untoward changes, today's release of the first revision of first-quarter GNP growth should have little impact on the market. Analysts are expecting the revision to be to an annual rate of about 5.3 per cent, from 5.5 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-29	-3/32	11.31	11.05	11.23
		9.750	1/98	96-07	-1/32	10.42	10.31	10.41
		9.000	10/08	95-19	+3/32	9.38	9.31	9.39
US TREASURY *		8.875	2/99	103-04	-9/32	8.65	8.85	9.16
		8.875	2/19	102-13	-7/32	8.65	8.82	8.99
JAPAN	No 111	4.600	6/98	94.9536	-0.057	5.43	5.39	5.32
	No 2	5.700	3/07	105.3080	-	5.13	5.10	5.06
GERMANY		6.375	11/98	95.5000	+0.050	7.03	7.11	6.82
FRANCE	BTAN	8.000	1/94	96.3826	-0.070	8.96	8.98	8.97
	OAT	8.125	5/99	95.7600	-0.070	8.78	8.89	8.77
CANADA *		10.250	12/98	102.7500	-0.625	9.80	9.88	10.23
NETHERLANDS		6.7500	10/98	95.2750	+0.150	7.46	7.49	7.08
AUSTRALIA		12.000	7/99	90.5192	-0.503	13.74	13.63	13.39

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Helaba in link with savings institutions

By Haig Simonian in Frankfurt

HESSISCHE Landesbank (Helaba), the big West German bank based in the state of Hesse, is set to co-operate more closely with the region's savings banks, which are now its sole shareholder.

Announcing the bank's 1988 results yesterday, Mr Herbert Kazmierzak, Helaba's chief executive, said the sale of the state's holding in Helaba to the Hesse savings banks was proceeding smoothly.

The disposal, proposed by the state government last year, played a big part in the postponement – and now apparent abandonment – of the planned merger between Helaba and Westdeutsche Landesbank (WestLB), which would have created Germany's second largest bank.

Instead, Helaba is now likely to be part of the wide-ranging financial services group taking shape around the state's savings banks. The combine will include a sizeable mortgage lending business and insurance activities following the state government's simultaneous decision to sell to the savings banks its co-holding in a regional insurance group.

Mr Kazmierzak said that a great deal of detailed negotiations remained to be settled, notably regarding how the group would work together.

Like most other big landesbanken, Helaba reported sharply lower earnings last year, largely as a result of the flatter yield curve which has severely affected the bank's refinancing activities.

Partial operating profits fell by 14.2 per cent to DM169m ($84.5m) from DM197m in 1987.

The continuing flattening in the yield curve suggested that profits this year would decline further, Mr Kazmierzak admitted.

Disclosing figures for sovereign debt provisions for the first time, Mr Kazmierzak said the bank's provisioning level of just under 70 per cent was now so high it was leading to difficulties with the tax authorities as to whether provisions could be raised any further.

New-issue activity springs to life

By Andrew Freeman

NEW-ISSUE activity expanded sharply on the Euromarkets yesterday as syndicate managers threw off their recent shackles and brought a rush of deals. However, underlying investor demand, particularly on the retail side, remained patchy and some of the issues had slow receptions.

The straight-maturity US dollar sector was tapped after a long period of inactivity. Credit Suisse First Boston was the lead manager of a $125m five-year deal for Electrolux. The bonds came with a 9½ per cent coupon and were priced at 101⅝ to yield some 62 basis points over the equivalent Treasuries.

INTERNATIONAL BONDS

Several houses declined their invitations, complaining that the pricing of the deal was extremely tight. They said that for an unrated borrower a yield of 75/80 basis points over Treasuries would have been more appropriate. Recent deals by the better-rated GMAC and Ford were trading at spreads around 65 basis points over Treasuries.

A CSFB official agreed that the pricing was tight, but said the deal would sell if the dollar remained strong. He added that, if necessary, CSFB was prepared to own the whole deal.

"If this deal is to go well, it will need support from the lead," said one trader. CSFB maintained its policy of not making prices to independent brokers, but said it was making a market in the bonds at less 1⅞ bid, on fees.

The paper was bid on brokers' screens at less 1.90 bid, below CSFB's bid, meaning that any sellers of the bonds could retain their anonymity only at the expense of the higher price available away from CSFB.

There was speculation that CSFB was using third parties to support its recent deals in the market, apparently undermining its policy of not providing a support bid on brokers' screens.

The CSFB official denied there was any connection between itself and a persistent bid by some other houses, arguing that there was an efficient and liquid market in the bonds and that other houses' prices were their own business.

However, the official commented that: "Every legitimate market-maker will be making a price, and people will have to deal with them."

Also in the dollar sector, Deutsche Bank Finance came with a $200m issue via Deutsche Bank Capital Markets. The 10-year bonds carried a 9⅝ per cent coupon and were priced at 101⅝ to yield 58 basis points over Treasuries.

The deal met a fine reception from a wide range of institutional investors which have been starved of quality dollar paper. The lead manager was quoting the bonds very comfortably inside 2 per cent underwriting fees at less 1.55 bid. The spread against Treasuries tightened to 52 basis points.

Two Ecu-denominated deals were launched into uncertain retail demand against the background of rising European interest rates.

Bankers Trust was the lead manager of an Ecu100m five-year deal for Nationale Nederlanden (US Holdings). The bonds came with a 9 per cent coupon and were priced at 101¾ per cent.

The paper was quoted by the lead manager at less 1⅞ bid, a discount equivalent to full underwriting fees. At that level the bonds offered a yield of 9.03 per cent. New-issue traders said this offered an attractive pick-up over the EEC 7⅝ per cent 1994 issue which was yielding about 8.70 per cent.

It is understood that the proceeds were swapped into floating-rate dollars to achieve a sub-Libor funding rate. Swap traders speculated that the funding rate would have been around 35 basis points below

An Ecu75m two-year deal was brought by Sumitomo Finance International for Volvo Group Finance (Europe). The paper was quoted at less 1⅛ bid, on fees and offering a yield in line with existing two-year deals at around 9.06 per cent.

The bonds met slow but steady interest from retail-orientated accounts. The proceeds were swapped into floating-rate dollars.

Elsewhere, a FFr500m seven-year deal was launched for Barclays Bank by Banque Nationale de Paris. The bonds were priced at 101½ with a 9 per cent coupon to yield some 30 basis points over the equivalent government issue.

The deal had a slow start and was quoted by the lead manager outside fees of 1⅞ at less 2 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Deutsche Bank Finance(c)♦	200	9⅝	101⅝	1999	2/1¼	Deutsche Bank Cap.Mkts
Electrolux(c)♦	125	9½	101⅝	1994	1⅞/1¼	CSFB
Monte d'Paschi di Siena(c)♦	100	Zero	85.305	1994	1⅝	Nomura Int.
Sapporo Breweries‡	200	(4½)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Showa Aluminium(f)‡♦	150	4⅝	100	1994	2¼/1½	Nomura Int.
AUSTRALIAN DOLLARS						
Eksportfinans(c)♦	100	18	101⅝	1990	1/⅝	Nomura Int.
ECUs						
Nat.Nederlanden US(c)♦	100	9	101¾	1994	1⅞/1¼	Bankers Trust Int.
Volvo Group Finance(c)♦	75	9¼	101.45	1991	1⅛/⅝	Sumitomo Finance Int.
Issue increased:						
SNCF(d)♦	175	9	102	1999	2/1¼	Credit Lyonnais
FRENCH FRANCS						
Barclays Bank Plc(c)♦	500	9	101½	1996	1⅞/1¼	BNP Capital Markets
D-MARKS						
WestLB Finance Neth.(a)♦	100	6¾	100⅛	1992	1⅜/1	WestLB
LIRE						
Unilever NV(c)♦	150bn	12¾	101⅞	1994	1⅞/1¼	San Paolo Bank
YEN						
IBJ Finance Co.NV(e)♦	20bn	8⅞	102¼	2004	2¼/1½	IBJ Int.
World Bank♦	10bn	5¼	100⅜	1994	50bp	Norinchukin Int.
Alitalia(b)♦	5bn	5.45	100	1999	n/a	Salomon Brothers

★★Private placement. ‡With equity warrants. ♦Final terms. a) Borrower option to redeem in eitherDM or C$ at DM1.52 per C$. b) Unlisted. c) Non-callable. d) Increased from Ecu100m. e) Dual-currency issue, Y/A$. Coupon in A$. f) Coupon cut by ⅛% from indication.

AMI seeks early redemption of 20-year Eurobonds

AMERICAN Medical International, the US owner and operator of hospitals which recently said it was studying offers for a leveraged buy-out, announced a second attempt yesterday to redeem early its 20-year zero-coupon Eurobonds issued in 1982, writes Stephen Fidler.

The company, which bought back last year its $200m issue of 15-year zero coupon bonds, is holding a bondholders' meeting in London on June 23 to gain the necessary approvals to make a formal offer.

If approved, any bondholder voting in favour of the proposal may tender his bonds – in the equivalent of a Dutch auction – or request a cash payment from AMI of 7.47 per cent without tendering the bonds. Some $140m of the original $250m is outstanding following bond purchases made last year.

The company has set a base price of 27 per cent – 38 per cent above the accreted face value of the bonds – for the bond purchase and, if the necessary approvals are obtained, it will buy back all bonds tendered at that price. Bonds tendered above that level will be bought up to the amount necessary to assure the necessary approvals.

In early 1988, the company launched a stock and debt buy-back programme meant to adjust its debt to equity ratios.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wed May 24 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue May 23 Index No.	Mon May 22 Index No.	Fri May 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (206)	969.53	-0.9	10.49	4.00	11.76	12.70	978.40	988.41	1005.51	758.41
2	Building Materials (29)	1233.84	-1.1	11.51	4.14	10.72	17.91	1247.53	1266.61	1287.14	988.92
3	Contracting, Construction (38)	1682.00	-2.0	13.35	4.10	9.00	29.32	1717.56	1738.52	1764.19	1569.13
4	Electricals (9)	2815.67	-1.1	8.77	4.06	14.07	49.45	2846.29	2873.76	2951.00	2066.84
5	Electronics (30)	2226.99	—	8.61	3.05	15.09	14.70	2227.45	2259.97	2308.22	1600.67
6	Mechanical Engineering (54)	521.62	-1.1	9.87	3.94	12.45	7.62	527.63	529.96	536.60	387.66
8	Metals and Metal Forming (7)	550.31	-0.6	14.16	5.44	8.00	1.84	553.39	555.60	562.47	460.18
9	Motors (17)	322.12	-0.6	11.60	4.72	10.10	6.69	324.01	325.73	329.74	269.69
10	Other Industrial Materials (22)	1606.23	-1.2	9.37	4.22	12.75	25.11	1626.84	1638.95	1674.29	1252.15
21	CONSUMER GROUP (186)	1209.93	-0.9	9.00	3.67	13.80	13.02	1220.40	1231.98	1254.08	1063.65
22	Brewers and Distillers (22)	1304.85	+0.1	10.42	3.70	12.06	16.42	1303.96	1319.54	1351.33	1105.91
25	Food Manufacturing (20)	1055.33	-1.5	9.70	3.92	12.91	14.06	1071.81	1082.38	1102.21	929.51
26	Food Retailing (15)	2204.15	-1.2	8.80	3.36	14.81	17.33	2231.40	2241.87	2268.79	2017.18
27	Health and Household (14)	2266.18	-1.4	6.34	2.58	17.97	14.41	2298.70	2311.08	2328.78	1781.96
29	Leisure (33)	1638.26	-0.7	7.53	3.33	16.69	21.13	1649.21	1662.84	1703.94	1287.80
31	Packaging & Paper (15)	569.74	-0.7	10.15	4.27	12.40	7.10	573.70	575.13	579.66	409.10
32	Publishing & Printing (18)	3541.25	-0.8	9.27	4.56	13.53	44.70	3568.69	3599.80	3612.96	3347.16
34	Stores (34)	802.69	-0.7	11.11	4.44	11.79	11.40	808.40	822.99	840.70	818.64
35	Textiles (15)	539.67	+0.7	11.44	5.22	10.64	6.92	536.02	540.40	548.22	573.58
40	OTHER GROUPS (94)	1106.39	-0.9	10.05	4.15	12.10	10.43	1115.99	1116.32	1130.39	860.73
41	Agencies (18)	1397.76	-0.7	6.72	2.35	18.55	14.91	1406.93	1398.87	1413.81	1117.24
42	Chemicals (22)	1274.09	-0.3	11.10	4.63	10.64	26.31	1277.91	1280.06	1284.64	982.014
43	Conglomerates (12)	1590.45	-0.4	10.49	5.02	11.21	9.84	1596.31	1601.84	1621.44	1151.75
45	Transport (13)	2449.36	-0.3	8.46	3.58	15.35	22.16	2455.60	2466.18	2499.47	1915.75
47	Telephone Networks (2)	1139.78	-1.2	10.30	4.12	12.62	0.00	1153.44	1148.17	1175.21	939.93
48	Miscellaneous (27)	1486.07	-2.0	10.78	3.99	10.53	22.24	1516.65	1520.80	1530.09	1125.90
49	INDUSTRIAL GROUP (486)	1148.68	-0.9	9.75	3.90	12.67	12.92	1158.72	1158.87	1177.70	939.27
51	Oil & Gas (14)	2012.30	-0.2	10.34	5.51	12.05	51.08	2016.85	2029.50	2049.53	1791.51
59	500 SHARE INDEX (500)	1214.97	-0.8	9.83	4.10	12.69	16.01	1224.65	1233.20	1252.24	1011.36
61	FINANCIAL GROUP (123)	738.76	-0.8	—	5.22	—	15.60	744.94	751.52	760.19	603.38
62	Banks (8)	738.29	-0.8	24.18	6.40	5.43	21.71	744.13	754.37	761.27	642.14
65	Insurance (Life) (8)	1039.94	-1.6	—	5.74	—	29.06	1056.90	1069.66	1086.40	973.22
66	Insurance (Composite) (7)	581.56	-0.6	—	5.90	—	16.75	585.29	589.34	598.42	538.97
67	Insurance (Brokers) (7)	984.80	-0.5	8.04	6.40	16.64	27.06	989.92	1004.81	1013.47	967.32
68	Merchant Banks (11)	329.13	-0.4	—	4.58	—	3.70	330.37	330.34	331.46	349.17
69	Property (52)	1309.31	-0.7	6.09	2.76	20.86	6.98	1318.96	1324.48	1342.22	1228.21
70	Other Financial (30)	371.27	-0.9	10.84	5.67	12.59	5.93	374.79	376.62	379.42	377.94
71	Investment Trusts (72)	1149.80	-0.6	—	2.83	—	11.90	1157.26	1165.05	1178.88	856.27
81	Mining Finance (2)	609.51	-1.9	10.38	4.10	10.94	18.45	621.42	631.02	641.94	509.79
91	Overseas Traders (8)	1363.46	-1.0	10.04	5.42	11.54	34.12	1377.38	1394.90	1415.53	1073.87
99	ALL-SHARE INDEX (705)	1097.76	-0.8	—	4.24	—	15.85	1106.73	1114.96	1131.41	924.77

		Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 23	May 22	May 19	May 18	May 17	Year ago
	FT-SE 100 SHARE INDEX‡	2132.7	-18.9	2135.7	2118.3	2151.6	2169.8	2204.7	2177.3	2155.8	1787.9

FIXED INTEREST

	PRICE INDICES	Wed May 24	Day's change %	Tue May 23	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.72	-0.02	117.75	—	4.41
2	5-15 years	132.83	+0.07	132.73	—	4.62
3	Over 15 years	143.86	+0.03	143.82	—	5.92
4	Irredeemables	166.47	+0.02	166.43	—	6.10
5	All stocks	130.63	+0.04	130.57	—	4.78
	Index-Linked					
6	5 years	134.56	-0.02	134.58	—	1.36
7	Over 5 years	133.46	-0.27	133.82	—	1.28
8	All stocks	133.42	-0.25	133.76	—	1.27
9	Debentures & Loans	114.99	-0.03	115.03	—	4.33
10	Preference	88.24	-0.13	88.36	—	3.00

	AVERAGE GROSS REDEMPTION YIELDS		Wed May 24	Tue May 23	Year ago (approx.)
	British Government				
1	Low	5 years	9.69	9.66	8.61
2	Coupons	15 years	9.35	9.32	9.16
3		25 years	9.18	9.15	8.99
4	Medium	5 years	10.92	10.94	9.07
5	Coupons	15 years	9.78	9.78	9.35
6		25 years	9.32	9.32	9.17
7	High	5 years	11.02	11.04	9.16
8	Coupons	15 years	9.99	9.99	9.51
9		25 years	9.48	9.48	9.24
10	Irredeemables†		9.15	9.15	8.86
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.83	3.82	2.49
12	Inflation rate 5%	Over 5 yrs.	3.70	3.68	3.78
13	Inflation rate 10%	5yrs.	3.05	3.04	1.49
14	Inflation rate 10%	Over 5 yrs.	3.52	3.50	3.61
15	Debs &	5 years	11.86	11.85	10.19
16	Loans	15 years	11.51	11.51	10.64
17		25 years	11.17	11.16	10.67
18	Preference†		10.28	10.19	9.69

‡Opening Index 2128.4; 10 am 2118.3; 11 am 2125.4; Noon 2124.9; 1 pm 2124.4; 2 pm 2123.2; 3 pm 2126.9; 4 pm 2129.0; 4.05 pm 2130.4 (a) 4.25pm (b) 9.59am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	37	35	34
Corporations, Dominion and Foreign Bonds	1	23	19
Industrials	206	722	650
Financial and Properties	53	379	224
Oils	28	31	38
Plantations	1	2	9
Mines	45	43	89
Others	69	95	94
Totals	440	1,330	1,157

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§100	F.P.	-	106	101	Abtrust New Dawn Inv. Tst.	102	+1	-	-	-	-
-	F.P.	-	60	50	Do. Warrants	53		-	-	-	-
§100	F.P.	-	126	108	‡Bowmore Intl. 10p	126		u5.2	1.9	5.5	12.2
‡	F.P.	-	6400	6100	CMB Packaging SA FFr15	6400	+100	W-	-	-	15.0
‡	F.P.	-	6100	3350	Do (¼ '89 Div Reg) FFr15	5763	+13	-	-	-	-
§100	F.P.	-	145	113	‡Capita Group	143		u2.5	2.2	2.3	21.5
85	F.P.	-	96	84	‡Diamond Group Hldgs 5p	91		L1.13	4.7	1.7	17.3
50	F.P.	-	65	60	Donelon Tyson 10p	60		-	-	-	-
§21	F.P.	-	23½	22	*Edencorp Leisure 5p	22½	-½	-	-	-	-
‡	F.P.	-	110	78	Ex-Lands 10p	85	-5	0.5	-	0.8	-
‡	F.P.	-	101	61	Do. Warrants	70		-	-	-	-
100	F.P.	19/5	113	109½	Fleming High Inc. Inv.	109½	-2	b5.25	-	6.4	-
-	F.P.	-	36	22	Do. Warrants	34	-1	-	-	-	-
50	F.P.	-	55	52	Gartmore Value Invs. 10p	54½		N3.79	-	9.3	-
50	F.P.	-	51¼	50½	Do. Zero Div. Prf. 10p	50½	-¼	-	-	-	-
§100	F.P.	-	123	115	‡Green (J.)	118		L2.9	2.9	3.3	14.1
§175	F.P.	-	178	175	Ibex Hldgs. 10p	175		L3.6	2.7	2.7	16.0
‡	F.P.	-	211	198	IMB Group	204	+2	W-	-	-	10.3
§47	F.P.	-	49	40	*Malaga Group 10p	46		b2.0	3.7	5.8	6.3
†	F.P.	-	500	430	Mid Kent Hldgs. £1	430		6.0	-	1.9	-
†	F.P.	-	107	50	Do. Warrants £1	103		-	-	-	-
§58	F.P.	-	66	56	‡Miskin Group 20p	62		Wd1.38	4.5	3.0	8.3
§100	F.P.	-	109	100	Olim Conv. Tst.	107	-1	N7.5	-	9.3	-
§100	F.P.	-	101	99½	Do. Zero Coupon Prf.	100	-1	-	-	-	-
§100	F.P.	-	108	100½	‡Porth Group 5p	105		R4.5	1.8	5.7	11.5
-	F.P.	-	178	165	‡Quarto (Restd Trans) 10c	166		6.0	-	4.8	-
§52	F.P.	19/4	78	52	‡Quiligotti 5p	67	-1	R2.0	2.4	4.0	11.8
§125	F.P.	-	148	136	Servomex 5p	147		L4.7	1.9	4.3	12.2
§125	F.P.	-	152	143	Sheffield Insulations 10p	145	-3	L4.25	2.2	3.9	15.3
125	F.P.	12/5	140	125	Try Group	136	-1	L5.0	2.1	4.9	13.0
Ir48	F.P.	-	89	67	‡Xtra-Vision Ir5p	69		u023.9	2.5	1.4	29.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
106.46	F.P.	-	111	105¼	Brit. Assets Tst. Ind-Linked 2005	108½	-½
100	F.P.	6/6	105p	102p	Dwyer 7.25pc Cnv. Cum. Red. Prf.	105p	
-	F.P.	-	103p	100p	Erode 7p (Net) Cnv. Red. Pf.	101p	-1
‡	F.P.	9/5	107p	100p	Guidehouse 8.5p(net) Cv Pf 2006	100p	
100p	F.P.	4/5	101p	90p	Hambros 7½pc (Net) Cum Cnv Red Prf	99p	
-	F.P.	-	100	[illegible]	N'wide Anglia 12⅞pc 19.3.90	[illegible]	[illegible]
-	F.P.	-	[illegible]	[illegible]	Do. 13¼pc 23.4.90	[illegible]	[illegible]
-	F.P.	-	100	[illegible]	Do. 13pc Bds 14.5.90	[illegible]	[illegible]
§99.1	£25	-	28½	25	Do. 4.25pc Index-Linked 2024	27	-¼
100p	F.P.	-	100½p	99½p	Speyhawk 9.75pc Cum Red. Pf. 2014	99½p	-½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
Ir72	Nil	3/5	10pm	5½pm	Anglo Irish Bank	6¾pm	
9	6	-	9½pm	7½pm	Bear Brand	9pm	
260	Nil	-	40pm	33pm	Concentric 10p	38pm	-2
26	F.P.	-	57	42	Creston 10p	42	
17	Nil	-	98pm	60pm	Ex-Lands 10p	66pm	-2
65	Nil	-	8pm	3pm	Oceana Cons.	4pm	
88	Nil	-	17pm	8pm	Porter Chadburn 5p	15pm	
17	Nil	-	1½pm	1pm	Resort Hotels	1pm	
60	Nil	-	10½pm	8½pm	Senior Engineering	8½pm	-1
5	Nil	-	2pm	1pm	Staks Hldgs. 5p	1pm	
185	Nil	-	36pm	20pm	Telfos Hldgs. 20p	28pm	-2

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. & Unlisted securities market. ‡ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings May 15
- Last Dealings May 26
- Last Declarations Aug 10
- For settlement Aug 21

For rate indications see end of London Share Service

Calls in Premier, Eglington, Oil Search, Millar S, Tamari, IMC, Regenicrest, Southend Prop.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*442)	420	37	50	60	4½	10	14
	460	13	28½	40	22	29	34
	500	4	12	20	58	60	62
Brit. Airways (*200)	180	22	24	31	3	5	9
	200	7	14	19	11	13	18
	220	2	6	11	30	31	33
Brit Com (*198)	200	10	17	22	8	10	14
	220	3	9	12	24	24	28
Beecham (*635)	550	87	107	118	3	7	12
	600	42	68	83	10	20	28
	650	16	40	55	40	45	50
Boots (*292)	260	35	46	53	2	4½	6
	280	20	31	38	8	10	12
	300	10	20	27	19	20	22
B.P. (*285)	260	30	36½	41	2	5	8
	280	15	22	28	5½	10	13½
	300	5½	11½	16	18	20	22
British Steel (*90)	80	10½	12	15½	3	4¼	6¼
	90	3½	6¼	10½	9	10	11½
	100	1	3¼	6	17	17½	18
Bass (*952)	900	75	107	120	6	12	22
	950	42	72	85	25	32	42
	1000	17	45	57	57	60	67
C & Wire (*541)	500	55	78	92	7	13	18
	550	25	48	62	27	33	38
	600	9	26	40	62	67	70
Cons. Gold (*1220)	1150	110	—	—	18	—	—
	1200	75	105	130	35	60	80
	1250	55	85	110	70	90	100
Courtaulds (*336)	300	38	45	53	3	8	11
	330	13	26	33	13½	19	23
	360	3	13	18	40	42	43
Com. Union (*375)	360	26	32	44	6	12	16
	390	10	17	28	20	26	30
	420	3	8	—	48	52	—
G.K.N. (*391)	360	43	50	62	3	10	13
	390	22	31	42	14	21	23
	420	8	17	26	33	36	38
Grand Met. (*547)	500	61	78	88	2½	7½	10
	550	23	37	53	16	24	25
	600	6	16	27	53	55	56
I.C.I. (*1283)	1200	108	133	173	10	20	30
	1250	70	98	140	23	40	45
	1300	40	68	110	45	60	65
Jaguar (*317)	300	30	38	48	4½	11	13
	330	8	21	31	17	23	26
Kingfisher (*297)	280	26	36	48	5	11	14
	300	16	23	35	14	17	22
	330	4	12	18	35	36	39
Ladbroke (*598)	550	64	84	94	4	9	15
	600	27	50	63	18	27	34
	650	9	27	37	53	58	60
Land Secur (*579)	550	36	55	67	8	13	16
	600	9	26	38	37	40	42
M & S (*184)	180	13	20	23	7	8	10
	200	3½	8	13	18	19	19
STC (*366)	330	47	60	70	3½	9	12
	360	25	38	52	15	20	23
	390	10	24	36	32	35	36
Sainsbury (*238)	220	20	29	35	2½	4½	6
	240	7	16	22	10	13	14
	260	2	7	12	26	27	28
Shell Trans. (*400)	360	—	57	65	—	4	6
	390	23	31	44	7	12	13
	420	8	16	26	21	24	26

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Storehouse (*178)	160	26	28	32	5	8	10
	180	11½	17	20	17	19	20
Trafalgar (*385)	360	36	52	56	5	10	14
	390	18	32	36	18	22	30
Utd.Biscuits (*328)	300	37	49	54	4	5	8
	330	17	29	35	13	16	20
	360	5½	16	21	33	34	36
Unilever (*549)	500	61	82	92	2	6	7½
	550	25	45	57	16	20	22
	600	6	20	32	53	53	53
Ultramar (*305)	280	35	44	56	5	8	12
	300	24	34	44	10	17	20
	330	9	19	28	29	33	35

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*645)	600	71	93	112	11	25	28
	650	40	59	84	31	46	48
BAA (*343)	330	27	45	50	10	15	19
	360	11	24	30	26	30	36
	390	4	11	—	50	52	—
BAT Inds (*544)	500	63	80	94	6	12	16
	550	29	47	62	27	33	38
	600	10½	25	37	63	65	67
BTR (*378)	360	33	43	54	5	12	14
	390	16	26	37	19	24	27
	420	6	15	24	44	44	46
Brit. Telecom (*271)	260	18	26	30	7	9	11
	280	6½	15	20	18	20	22
	300	2½	8	—	35	36	—
Cadbury Sch (*353)	330	36	47	59	4	9	10
	360	17	27	40	18	20	22
	390	5	14	25	40	42	43
Guinness (*479)	420	72	84	—	4	6	—
	460	40	56	68	10	18	21
	500	18	32	46	30	36	38
GEC (*241)	220	28	34	41	3	4	6
	240	15	22	28	10	13	15
	260	6	11	18	24	25	26
Hanson (*199)	200	7	15½	18½	8	11	14
	220	2	7½	10½	24½	25	25½
LASMO (*454)	441	38	58	—	16	19	—
	460	—	—	61	—	—	31
	479	19	39	—	32	37	—
P. & O. (*673)	650	54	70	87	11	22	26
	700	28	44	60	40	50	52
	750	10	22	40	82	82	85
Pilkington (*241)	240	12	20	26	13	16	19
	260	5½	13	17	28	29	32
	280	2	7	—	47	48	—
Plessey (*266)	240	29	34	37	3	5	6
	260	15½	23	24	9	10	12
	280	6½	10	14	22	23	24
Prudential (*175)	160	22	26	—	3	5	—
	180	9	12	18	9	12	13
	200	4	6	10	27	27	27
Racal (*478)	460	40	62	78	15	22	25
	500	20	41	58	35	41	46
	550	7	24	36	74	76	78
R.T.Z. (*493)	460	52	—	—	7	—	—
	500	25	40	50	22	32	32
	550	8	18	32	61	63	65
Scot. & New (*304)	300	21	33	41	16	22	26
	330	9	20	29	36	40	44

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Tesco (*174)	160	21	26	32	3	5	5
	180	8	13	19	10	12	13
	200	3	6	10	28	28	29

Option		Calls Jul	Calls Sep	Calls Nov	Puts Jul	Puts Sep	Puts Nov
ASDA Grp. (*168)	160	16	20	23	4	6	8
	180	7	9	12	15	18	21
Gateway (*197)	180	22	23	26	3	4	7
	200	9	11	13	10	13	15

Option		Calls June	Calls Sep.	Calls Dec.	Puts June	Puts Sep.	Puts Dec.
Amstrad (*101)	100	8	14	18	5	8	10
	110	4	11	14	12	14	15
Barclays (*461)	420	46	54	62	2	4	7
	460	14	26	32	9	17	19
	500	3	10	16	42	46	46
Blue Circle (*583)	500	88	104	116	1½	5	8
	550	42	64	78	6	16	19
	600	13	34	50	26	36	40
British Gas (*179)	160	21	23	25½	½	2	4
	180	4	7½	12½	5	11	11½
	200	¼	1¼	5¼	23	24	25
Dixons (*145)	130	18	22	28	2	6	8
	140	14	16½	22	6	10	15
	160	5	11	13	21	24	27
Glaxo (*1397)	1350	77	137	162	15	30	40
	1400	42	102	132	34	47	57
	1450	22	72	102	65	74	82
Hawker Sidd. (*710)	650	70	104	115	3	10	16
	700	30	70	82	13	26	30
	750	13	35	55	42	52	57
Hillsdown (*263)	260	11	24	33	6	10	12
	280	4	13	23	19	21	22
	300	2	7	13	39	40	40
Lonrho (*274)	257	22	32	43	3	10	12
	283	7	17	25	16	21	24
	309	2½	8	15	36	40	44
Midland Bk (*350)	329	28	36	46	3	10	12
	357	8	16	—	14	20	—
R. Royce (*188)	160	30½	38	40	1	2	3
	180	14	24	25	3½	7	9
	200	3	10	15	14	14½	19
Sears (*117)	110	9½	15½	18½	1½	4	4
	120	4	9	12	6	8½	9½
	130	1½	5	8½	15	15½	17½
THF (*304)	280	30	40	51	1½	5½	8
	300	16	26	36	6½	12	16
	330	4	13	20	25	29	31
Thorn EMI (*700)	650	64	65	87	4	9	17
	700	20	31	48	15	32	42
	750	3	13	20	52	64	77
TSB (*105)	100	8	11	13	1½	4	4
	110	2	5	8	7	8	9
Vaal Reefs (*567)	60	—	11	12	—	2	4
	70	—	6	6	—	6	8
Wellcome (*456)	420	44	63	76	3	9	12
	460	16	37	50	16	24	27
	500	3½	20	32	48	50	52

FT-SE INDEX (* 2130)

	Calls May	Calls Jun	Calls Jul	Calls Aug	Puts May	Puts Jun	Puts Jul	Puts Aug
1900	232	245	265	—	½	3	5	—
1950	182	197	218	233	1	5	8	11
2000	133	150	172	188	1½	8	15	17
2050	83	106	130	148	3	13	22	28
2100	38	67	93	108	10	26	36	42
2150	11	40	65	77	30	47	57	63
2200	2	21	43	53	72	80	87	90
2250	1	10	26	38	122	125	128	128

May 24 Total Contracts 39,323
Calls 20,921 Puts 18,402
FT-SE Index Calls Puts
*Underlying security price.

UK COMPANY NEWS

Courtaulds profit falls to £197m

By David Waller

HIT BY dire conditions in the fibres and textiles markets, Courtaulds yesterday reported its first fall in profits since 1981. Pre-tax profits for the year to the end of March fell by £23.5m to £197.1m while earnings per share dropped by 12.7 per cent from 40.9p to 35.7p.

The company's shares gained yesterday against the trend of the market as the fall in profits was not quite as bad as analysts had expected. Sir Christopher Hogg, chairman, said that he drew much comfort from the way in which growth businesses such as coatings had compensated for the downturn in textiles and fibres.

He pointed out that profits last year were only slightly lower than the £201m achieved in 1986-87. Since then, operating profits from two key businesses – the Courtelle acrylic fibre subsidiary and the spinning activities – had fallen by £60m.

The fact that total profits were broadly the same as two years ago was an indication of the improvement in the quality of the group's earnings since then, he argued. The realignment of the businesses has been achieved via acquisitions and disposals worth a total of £600m.

Group turnover last year moved forward from £2.42bn to £2.61bn but operating profits fell from £216.4m to £194m, indicating a decline in margins from 8.9 to 7.4 per cent. The two worst performers were fibres – where profits slumped from £48m to £33m on turnover down £7m to £446m – and textiles, where profits fell £16m to £50m despite a rise in turnover from £982m to £1,001m.

Sir Christopher Hogg: quality of earnings improve

The Fibres performance was hit by a £49m fall in turnover at Courtelle, a reflection of a cyclical downturn in the sector. A combination of a weak dollar (assisting overseas competitors and making export conditions difficult) and fashion trends conspired to drag the textiles profits down.

Working in the other direction was a strong performance from the coatings division, where profits surged from £28m to £43m on turnover up from £385m to £511m. A quarter of this increase was due to acquisitions in the US, the company said.

Profits from chemicals and materials edged ahead by £1m to £20m while films and packaging fell £3m to £27m. Saiccor, the South African woodpulp business sold at the end of September last year, chipped in £26m.

Extraordinary items showed a profit of £117m, with the profits on the sale of Saiccor and Samuel Courtauld offset by costs of £58m due to rationalisation and closures during the year.

The final dividend is to be 10.1p (9.25p) making a total of 13p (12p), a rise of 8.3 per cent.

● COMMENT

The rise in Courtaulds' share price yesterday suggests that the market is inclined to accept Sir Christopher Hogg's arguments about the surge in the quality of the group's earnings over the last two years. At the start of the reshuffling process, some 70 per cent of turnover came from commodity products and cyclical businesses; yesterday's figures showed that proportion had fallen to 55 per cent last year, before the disposal of Saiccor. From now on, more than half the company's business will derive from growth areas such as coatings, and that proportion should grow as Sir Christopher makes more small, strategic acquisitions. The other plus is that the truly cyclical businesses, textiles and acrylics, have perhaps bottomed out, and are in any case at a pitch of efficiency and leanness after a year of savage rationalisation. On optimistic estimates, the company should make £213m this year, putting the shares, up 5½p to 336p yesterday, on a multiple of 8.2. Given the strength of the management, the health of the balance sheet (gearing is 2 per cent), a prospective yield of nearly 6 per cent and the realignment towards growth businesses, this 20 per cent discount to the market looks unjustified.

Midem will go as TVS plans sale of non-core businesses

By Raymond Snoddy

TVS ENTERTAINMENT, the ITV contractor and television production company, is planning to sell its television industry exhibition subsidiary and publishing interests.

Negotiations are believed to be well advanced with the Reed Exhibition Company for the sale of the Midem Organisation, the company that runs successful markets and exhibitions in Cannes, France. Reed Exhibition is part of Cahners, the US arm of Reed International, the publishing and information group.

However Reed is facing opposition from a management buy-out team lead by Mr Peter Clarke and Mr Peter Thomas, joint managing directors of Telso Communications, TVS' main arm for international expansion.

TVS is also selling Boxtree, its publishing company which specialises in books associated with television.

The sale of Midem, bought in 1986 from Mr Bernard Chevry, the man who built it up, is a surprising move by TVS.

Mr James Gatward, TVS chief executive, has emphasised in the past how Midem's markets – such as MIP-TV (Marché International des Programmes de Télévision) – have been important for the company as listening-posts on developments in the television industry.

Midem was originally bought for £10.7m but margins have been very good since then and it is likely that TVS could recoup more than double its purchase price.

However, the decision to enter negotiations about the disposal of "non-core bnusinesses" will be seen as a sign that TVS is feeling the strain from its acquisition last July of MTM, the US television production company, in a deal worth $320m.

BAe limit breached

Foreign-held shares in British Aerospace have once again crept above the 15 per cent Government-imposed limit. The company was informed by its registrars yesterday that 38.71m shares (15.12 per cent) were in foreign hands.

Discounting in US cigarette market holds BAT to £324m

By Nick Bunker

AGGRESSIVE price-discounting by rival US cigarette companies has hit profits at BAT Industries' big US subsidiary Brown & Williamson, BAT revealed yesterday as it reported first-quarter pre-tax profits up 17 per cent at £324m.

Overall results from the tobacco-based multinational were at the top end of the range of City expectations. But trading profits from its tobacco businesses rose only marginally to £152m, the group said, largely because competitors including Philip Morris and RJR Nabisco were loading the US domestic market by offering distributors unusually generous discounts on large shipments from their factories.

Measured by factory shipments, Brown and Williamson's US market share dropped to about 8.5 per cent in the first quarter. Profits were also held back by higher promotional spending on its major US brands, Kool, Viceroy and Capri.

BAT reported paper and pulp profits unchanged at £60m, mainly because weakness in Wiggins Teape's European carbonless copying paper sales offset strong growth in the US.

Retailing trading profits rose from £4m to £6m. Trading profits from financial services were £194m (£90m), with a £64m first-time contribution from Farmers Group, the Los Angeles-based motor and household insurer bought for £2.9bn last year.

BAT again made confident noises about the effect on Farmers of Proposition 103, the tough Californian insurance price regulation measure.

Mr Patrick Sheehy, group chairman, said he expected group results to be "little affected" by 103. His deputy Mr Brian Garraway hinted that Farmers could indirectly benefit, because its size and the close relationship between its sales force and customers could give it the edge over other insurers in coping with the new regulatory environment.

● COMMENT

Brown & Williamson's fortunes are better than a bald summary suggests. Measured by factory shipments, its market share may have dropped, but a good 13 per cent of US smokers are still buying its brands: and BAT reckons the level of dumping by other US tobacco companies is not likely to last that long. More intriguing is the clue these first-quarter figures give to the behaviour of Philip Morris post its takeover of Kraft, and a highly-leveraged RJR Nabisco under the dominion of KKR. Both US groups sound inordinately eager to generate earnings per share/cash flow quickly, a behaviour characteristic which might work to BAT's advantage if they cut promotional spending. As regards 103, BAT is intimating that the California Supreme Court's decision that insurers must be given a fair rate of return is very good news: and there is a case for arguing that the largest auto insurers in California, such as Farmers and State Farm, will actually benefit if 103 forces smaller rivals out. But the uncertainties over the Californian insurance scene mean that outside investors reasonably need at least six months or a year before they can share Mr Sheehy's optimism. On that basis, and assuming full-year pre-tax profits of about £1.85bn, BAT's shares are efficiently priced on last night's prospective p/e multiple, a modest 7.5.

Hillsdown buys Premier Brands

By Lisa Wood

NICE DEAL – shame about the timing – was the majority verdict in the City yesterday on the announcement of the £182m acquisition of Premier Brands, the Ty-Phoo tea group, by Hillsdown, the acquisitive food conglomerate.

The issue of new paper to Premier's shareholders and placing of shares to fund acquired debt comes a little over a month after the placing of his remaining 14.5 per cent stake in Hillsdown by Mr David Thompson, the group's founder and former chairman. That placing was done at 255p per share. Hillsdown's shares closed at 263p, down 16p.

"The timing for us could have been better," admitted Mr Harry Solomon, chairman of Hillsdown, yesterday. "But, this was a tremendous opportunity we could not have missed." He said Mr Thompson had not been aware of the deal when he placed his shares.

Premier, which was created by a £97m management buy-out, from Cadbury Schweppes in 1986, put itself up for sale in March when it abandoned plans for a public flotation.

Premier said the surprise change in strategy – which provoked the resignation of its chairman, Mr Paul Judge – was because the company had borrowings of about £90m and needed greater resources to fund both the marketing and plant investment necessary to exploit its brand portfolio.

The company, which had been starved of investment by Cadbury has achieved some success in increasing both profit margins and market shares of its brands – lifting its tea share of the UK market – albeit at a time of depressed raw material prices – for example from 16 to 23 per cent.

Price, said the management of Premier was only one consideration in its choice of a new mate. It wanted its management team to remain intact in addition to assurances over a number of issues, including jobs.

Hillsdown, which says there will be no dilution of its earnings in the deal, won the day, at a price well below the multiples being paid for other food businesses, with its devolved management style an obvious attraction to Premier's management. Hillsdown allegedly beat off a substantially higher offer

Mr Solomon said that Premier's branded and own label products complemented Hillsdown's own products. These include Lockwoods, the canned food business, where Hillsdown believes there will be synergies with Premier's troubled canning business.

In addition Mr Solomon said: "The combination of our two distribution networks in the UK and the ability to market Premier Brands products through our existing strong distribution network in North America and Europe should lead to significantly increased opportunities for Premier Brands and Hillsdown." Opportunities were also being examined with Cadbury Schweppes.

Food – including the processing of meat, poultry, eggs and fish – account for about 80 per cent of Hillsdown's sales which last year were £3.55bn with pre-tax profits of £150.9m. To this Premier, with sales last year of £393.3m and pre-tax profits of £31.8m, will bring an attractive clutch of brands and a management which has taken on the giants of the food industry with some success.

Hillsdown says the deal will improve its balance, with more branded products and a clearer focus on its food business.

Trevian makes £1m provision for Mirra

By Jean Marshall

TREVIAN HOLDINGS, property developer, has made a provision of £1m against the cost of its interest in Mirra Holdings, which provides income-producing services to local health authorities.

Trevian acquired a 45 per cent interest in Mirra in late 1987, for about £540,000, with 45 per cent retained by Mirra's founder, Mr Robert Ainsworth, and Brent Walker holding the remaining 10 per cent.

The problems currently besetting Mirra appear to stem from high overheads and delays in obtaining decisions from local health authorities.

The £1m provision, which is the full amount of Trevian's exposure, according to Mr Lewis Davis, joint managing director, will be taken as an extraordinary item in its annual results due in July.

Trevian said yesterday that it continued to trade "most satisfactorily" and was concentrating on its mainstream activities. Its shares, a USM quote, fell 6p after the announcement but regained 1p to close at 97p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Carlton Comms ......int	3.06†	Aug 23	2.45	-	7.5
Cham'lin Hill ......fin	6.5	-	4	9	6
Chillington Corp ......fin	5‡†	July 31	4.4	8	7
City of Ldn PR § ......fin	1.5	July 21	-	2.25	-
Courtaulds ......fin	10.1	July 31	9.25	13	12
Hartwell ......fin	2.1	July 31	1.94	3.1	2.89
Land Securities ......fin	10.3	July 17	8.85	14.4	12.5
PWS Holdings ......int	1	July 14	3.5	-	3.5
Ranks Hovis ......int	3.82	July 14	3.18	-	10.61
Vibroplant ......fin	1.98	Oct 9	1.65	3	2.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ‡Scrip alternative.

Another Charles Barker director decides to quit

By Nikki Tait

MR MICHAEL Prideaux, a director of Charles Barker, the advertising, public relations and recruitment company, is to leave the group at the end of August.

An announcement from Charles Barker yesterday said that Mr Prideaux would be taking up an appointment as director of corporate affairs for a major UK company and a client of Charles Barker. The company is widely thought to be BAT Industries, the tobacco, paper, retail and financial services group.

Mr Prideaux is the second director to announce that he is leaving the Charles Barker board in the past week. Mr Lou Hagopian, a non-executive director of Barker and chairman of the N.W. Ayer group, resigned last week because of a possible conflict of interest over the sale agreement concering the Ayer Barker agency.

Charles Barker said that Mr Prideaux had felt that this was "an extremely good opportunity" and that the client involved would remain with Charles Barker. Aside from his main board position, Mr Prideaux was deputy chairman of Charles Barker Public Relations and chief executive of Charles Barker Advertising.

He will be replaced by Mr Nigel Linacre, previously a director of CDP Financial, who becomes managing director of Charles Barker Public Relations but will not have a main board position.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Archer (AJ), Dobson Park, Scottish Inv Tst, Smart (J), Thornton (GW), Warner Estate, Wolverhampton & Dudley Breweries.
Finals- Airflow Streamlines, Castings, Estates & Agency, Readicut Intl, Southnews, TR Property, Thornton Oriental Income, Toshiba, Westbury, Young's Brewery.

FUTURE DATES

Interims-

Anglia Secure Homes	June 6
Borthwicks	June 5
French (Thomas)	June 6
Group Development Cap	June 2
Sidlaw	June 1

Finals-

CML Microsystems	June 5
Cambridge Instrument	June 15
City Gate Estates	June 15
Control Securities	June 1
Electrocomponents	June 7
Unilock	June 6

Beecham unwraps the details of its merger with SmithKline

By Andrew Hill

BEECHAM GROUP, the UK healthcare group, yesterday published its weighty circular on the proposed merger with SmithKline Beckman of the US.

The document fixes June 20 as the date of the shareholders meeting to approve the merger, which is based on a complex series of transatlantic share swaps and will create the world's largest drugs company after Merck of the US.

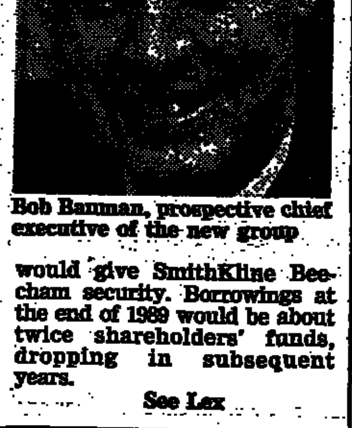
That gives potential predators just under a month to study the 230 pages of fine print and consider whether it is worth putting together an alternative offer for either company.

Beecham also announced it had made £491m before tax in the year to March 31, in line with its own forecasts last month when the merger was announced. The figure is about 17 per cent higher than the 1987-88 pre-tax profits of £419m.

The document revealed that the intricate deal would cost the two companies about £70m in professional fees. It also included a pro forma balance sheet which showed the combined group, SmithKline Beecham, would temporarily have negative shareholders' funds of £101m.

The deficit is caused by a low level of reserves following write-offs of goodwill from previous deals by both groups, but it should be more than offset by the profit from the sale of Beecham's cosmetic and fragrance businesses. They are entered in the same balance sheet at book value of £168m, but could realise as much as £750m.

Mr Bob Bauman, Beecham's chairman and prospective chief executive of the enlarged group, said interest cover of between seven and 10 times would give SmithKline Beecham security. Borrowings at the end of 1989 would be about twice shareholders' funds, dropping in subsequent years.



Bob Bauman, prospective chief executive of the new group

See Lex

Strong increase in milling and baking but food services lower than expected

RHM profits advance by 12% to £81.3m

By Nikki Tait

RANKS HOVIS McDougall, the food and bakeries group in which the Goldsmith/Rothschild-led Sunningdale consortium acquired a 29.9 per cent stake last week, yesterday reported a 12 per cent increase in interim pre-tax profits to £81.3m.

The figure for the half-year to March 4 was achieved on sales up by 6 per cent from £843.2m to £893.4m. After a tax charge down from 34.8 per cent to 31.5 per cent, earnings per share rose by nearly 16 per cent rise to 15.3p.

The interim dividend goes up by a fifth to 3.82p.

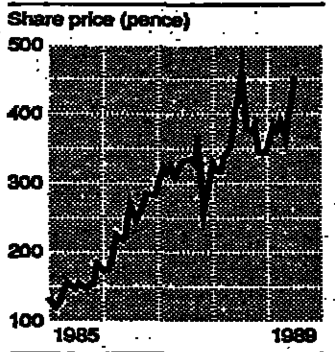
At the trading level, Ranks' largest area of activity - milling and bread baking - showed a strong increase in profits from £25.8m to £33.4m. The company said milling operations fared particularly well, thanks to a better harvest and good margins. On the bakery front, RHM reported that the market was highly competitive and volumes fairly hard to come by, but claimed to have succeeded in holding its ground.

The grocery products division pushed profits up from £17m to £18.8m, with a relaunch of Robertson's marmalades and preserves producing growth in branded market share. The businesses acquired from Nabisco in November and the Just Juice operations bought in December also chipped in, although Ranks said their contribution after financing costs was broadly neutral.

Overseas US profits jumped from £3.2m to £6.1m, and in the Pacific region, there was a more modest improvement from £8.2m to £8.5m.

However, two divisions saw a reduction in half-year trading results. Cakes and confectionery slipped from £12.4m to £11m, and RHM said that although branded cakes did better, rationalisation at OP Chocolate and pressure on margins explained the dip. Food services eased from £11.2m to £10.6m, with food scares having some impact on the chilled products side and the mild, wet weather being described as generally unhelpful.

RHM



Other operations, largely property, added £5.3m, against £4.9m. The interest charge rose from £10.2m to £12.4m.

● COMMENT

RHM shares eased 9½p yesterday in the grim market conditions, but when Sir James Goldsmith, Kerry Packer and Jacob Rothschild sit on a chunky part of the register, it is silly to expect any price to bear too close a relationship to fundamentals. Moreover, given RHM's forecast of not less than £81m when it unveiled its ill-fated bid for Goodman Fielder Wattie a month ago, there was little scope for surprise in yesterday's news - although, divisionally, milling and baking performance did rather better than expected and foodservices somewhat worse. Bid speculation aside, the question which has hung over Ranks for some time remains: how long can its recent impressive growth persist as the Avana merger benefits and the bakery rationalisation become less forceful motors? True, second half weather has been kinder and the group did forecast a similar 20 per cent dividend rise for the full-year, although this was made in the heat of the bid underwriting so perhaps should not be interpreted too strictly. Nevertheless, full-year forecasts do show quite a range, from £175m to more than £185m, suggesting prospective multiples of less than 13 to about 14 times. But that pales before the key question: will it all become sadly academic before the outcome is known?

Cash offer planned by Magnet for pref holders

By David Waller

MR TOM Duxbury, chairman of Magnet, and his boardroom colleagues at the Keighley-based kitchen furniture company were last night close to overcoming the last hurdle standing in the way of the success of their £629m buy-out bid.

They are expected to announce today or later this week a cash alternative for those preference shareholders who have refused to endorse the offer for their class of shares.

This could be worth up to £59m.

Several institutions – the most prominent of which was Sun Life – objected strongly to the combination of 25p in cash plus a new preference share valued at 80p.

Acceptances for the preference offer were 37.9 per cent at the second closing date last Friday, compared to 69.8 per cent backing from the ordinary shareholders.

The preference shareholders have it within their power to block the bid as any level of acceptances less than 90 per cent is prejudicial to the financing arrangements.

Interest rates hold Hartwell to £10.4m

By John Thornhill

HARTWELL, the Oxford-based motor, property, and heating oil company, increased pre-tax profits by 7 per cent from £9.74m to £10.41m in the year to February 28.

A sharply increased interest charge of £2.38m (£918,000), resulting from high rates and borrowing for new capital projects, was largely responsible for limiting further growth.

Turnover grew by 21 per cent to £403,524 (£332,611). A final dividend of 2.1p is recommended for a total 3.1p (2.69p). Earnings rose to 8.53p (8.1p).

The group's properties were revalued during the year giving a surplus of £9.1m which has been incorporated in the accounts. At the year-end, the net assets of the group were valued at £80m, an increase of 20 per cent over the previous year's valuation of £66.5m.

Operating profits in the motor division rose by 11.9 per cent to £8.9m (£8m).

What was said to have been the mildest winter in 100 years hindered the progress of the group's heating division, but nevertheless, improved training resulted in operating profits advancing to £1.12m (£1.05m).

Mr Peter Huggins, chairman, said the company's property interests were particularly encouraging.

● COMMENT

Hartwell was pleased with these results but the City did not seem quite so certain and shaved 6p off the share price to close at 126p. It was felt that the performance during the year was solid but not spectacular and that the company may have missed some of the benefits of the booming car market that other distributors have so conspicuously thrived on. However, the heating division did well to advance in the face of adverse conditions and the property division has considerable potential with several interesting developments. In the current year the prospects do not appear to be dynamic, although further out a considerable increase in rental income from the group's property developments will feed through strongly. Like Trimoco, Hartwell has found an admirer in the Jemeel family, which currently owns about 18 per cent of the equity and this lends a degree of uncertainty to its future prospects while providing an element of bid premium in the share price. Pre-tax profits forecasts of £11.75m give a prospective p/e ratio of about 13.5 which may seem generous considering the short term fundamentals but fair in the longer view.

TLS Range joining USM with value of £10.16m

By Vanessa Houlder

TLS RANGE, a Salford-based vehicle rental company, is joining the Unlisted Securities Market through a placing which values it at £10.16m.

TLS has a fleet of 664 commerical vehicles and 575 cars, which it rents out to individuals, businesses, local authorities and public utilities.

The company, which was formed in 1979, has grown by the acquisition of seven hire businesses, all within a 25 mile radius of Salford.

The criteria for future acquisitions is that they should be within 45 minutes of Salford, which would include Stoke-on-Trent, Leeds and Liverpool. Mr Peter Roberts, joint managing director, said the company had a "hub and spoke" philosophy. All depots should be close enough to Salford to use the central workshop and administrative facilities, he said. This allowed TLS to improve the returns of acquisitions by stripping out the overheads.

Mr Roberts said that acquisition opportunities were plentiful because leaving aside the major international companies which account for about 40 per cent of the total, the car and van market was a highly fragmented one.

Pre-tax profits in 1988 were £776,000 (£414,000) on turnover of £4.39m (£3.13m). The company said it was optimistic about the outlook for the rest of the year, given the buoyancy of the economy in the north west of the UK. All its depots showed a continued increase in demand for all kinds of vehicles.

Mr Roberts said the company was undismayed about the effects of higher interest rates. "There is an argument that uncertainty in business turns a consumer to hiring rather than buying," he said.

Greig Middleton, broker, is placing 8.31m shares at 60p. The issue will raise £4m net of expenses for the company. This will be used to reduce its gearing from 330 per cent to 20 per cent. Dealings are expected to start on May 30.

Hambro America new division

By David Barchard

HAMBRO AMERICA, the US subsidiary of the London merchant bank, is to set up a new division to handle private placements in the US market, alongside its existing venture capital and mergers and acquisitions operations.

The new division is to be part of Shea, Pascall & Powell, an affiliate of Hambro America. It will be headed by Mr Neil Powell, who resigned last week as a managing director of Bankers Trust Company.

Four other former members of Bankers Trust's private placement group have also followed Mr Powell to Hambro America.

Ketson questions record of bidding consortium

By Andrew Hill

KETSON YESTERDAY responded to attacks on its management by questioning the track record of the consortium bidding for the marketing and public relations group.

In its defence document, Ketson also told shareholders that the hostile bidder was trying to gain control of their company on the cheap.

The company pointed out that three companies connected with one of the members of the consortium, City and Westminster Financial, the private merchant banking and investment group, or its chairman, Mr Andrew Greystoke, had experienced financial difficulties.

CWF also advises the consortium and owns 29.5 per cent of another member of the bidding group, Summer International, the quoted training and education group.

Ketson said the third predator, Broad Street Group, the PR, advertising and marketing consultancy, had had "a somewhat chequered history" under its existing management.

The consortium said Ketson's criticisms were selective and misleading.

It is offering shares in a new company, Moneytab, in a one-for-one exchange for existing Ketson shares.

If the bid is successful, Moorgate, Ketson's troubled financial marketing and PR subsidiary, would be sold to Broad Street for up to £5m, and IETC, a training consultancy, to Summer, for up to £4.1m.

Ketson, which is proposing a radical restructuring said yesterday that it believed Moorgate and IETC were worth much more than the Broad Street and Summer offers.

Its market capitalisation at yesterday's closing price of 15p, down ½p, is only £2.8m.

Mr Walter Dickson, Ketson's chairman, said: "Our view is that the refinancing route gives shareholders every opportunity to regain some of the momentum they have lost."

As expected, Mr Jeremy Bond, whom Ketson is trying to oust as deputy chairman of the group, opposed the bid rejection.

UK COMPANY NEWS

Pre-tax profits up to £149.2m and property values surge by £1bn

Land Sec assets rise 28% to 855p

By Paul Cheeseright, Property Correspondent

LAND SECURITIES, Britain's largest property investment and development group with a portfolio now valued at £5.2bn, yesterday disclosed a 28 per cent increase in its net asset value per share to 855p but failed to arouse the market.

The shares, lower with the rest of the property sector as the market responded to another rise in interest rates, steadied after the figures were announced and eventually closed 1p lower at 580p

The group has enjoyed a second successive year of sharply rising property values, so that there was a £1bn rise in the worth of its property holdings. The holdings produced rental income of £231.6m in the year to last March, compared with £196.8m the year before.

Pre-tax profits for the year were £149.2m against £133.6m in 1987-88. Earnings per share were 20.95p after 19.07p the previous year.

Shareholders will receive a final dividend of 10.3p bringing payments for the year to 14.4p. Dividend payments for 1987-88 were 12.5p.

The figures were in line with what the market had expected after watching the rise in rents and capital values in the areas where Land Securities is most strongly represented — City of London and West End of London offices and retail property nationwide.

Like other property groups, Land Securities has sought to exploit the growth in the market by aggressive management of its extensive portfolio while drawing in the financial benefits of a surplus on its developments.

The current development programme includes 1.2m sq ft of offices, 600,000 sq ft of retail and leisure facilities and 850,000 sq ft of retail warehouses.

By the end of its financial year, Land Securities had made capital commitments to its development programme of £342m and during the past financial year had spent £324m on construction, property acquisitions and lease rearrangements.

This expansion programme is being funded with long term, fixed rate finance so that higher interest rates have increased its revenues rather than its costs. The group has £347m worth of short term deposits. But the extent of the development programme meant that interest charges came to £87.2m in the last financial year compared with £73.8m in 1977-78.

The gearing of the group at the year-end was 26 per cent, one percentage point less than in March 1988.

Mr Peter Hunt, the chairman, told shareholders that most of the income from the current development programme will flow after the end of the current financial year. But, he said, "the board intends to continue its policy of increasing the annual distribution even though the cover may fluctuate."

● **COMMENT**

Land Securities has had a good year. It would have been surprising had it not. But there is plenty of evidence now that the property cycle is starting to head downwards so that growth in the current year is likely to be respectable rather than enthralling. The exact figure will depend on Land Securities' ability to offset any slowness in the market by extracting new earnings from its existing portfolio. The net asset value per share should rise to around 950p, which puts the shares at 578p on an abnormally high discount of 39 per cent as the stock market apparently readies itself for downturn in the direct property market.

Costain warns of slackening growth

Shareholders in Costain Group were told at the agm by Sir Godfrey Messervy, chairman, that the outlook for 1989 was "for a somewhat lower rate of growth than in 1988".

In the housing division, the level of UK activity in a "distinctly weaker housing market" was well below that of 1988, he said, though investment in California and Spain, where the market remained strong, should provide a balance to that.

In the property division activity in the UK and Australia remained buoyant. In the engineering and construction division the order book had increased since the year-end while coal mining in Australia and the US had shown little change over 1988 so far.

Medirace expands via acquisition

Medirace, the Third Market company researching and developing Aids and cancer treatments, has acquired for £1.75m Cambridgeshire-based Walker Laboratories, a company which specialises in the production of clinical diagnostics.

The acquisition has been financed from group resources, and the investment will be made through Cambridge Life Sciences, the diagnostics company purchased by Medirace for £3.25m in December 1988.

TR Energy holders query EMF input and expenses

By Philip Coggan

THE DIRECTORS of TR Energy, the oil and gas investment company, came under fire from shareholders yesterday at the group's annual general meeting.

Lord Remnant — re-elected by just seven votes to five

TR Energy has made a series of losses including a pre-tax deficit of £621,000 in 1988. The company is managed by Energy Management & Finance, which is jointly owned by Kleinwort Benson, the merchant bank, and Touche Remnant, the investment management group.

Mr Ian Hurst, a shareholder who also spoke out at last year's agm, asked a series of questions about the group's affairs. He asked Mr Randle Feilden, the deputy chairman and the only director unconnected with either Touche Remnant or Energy Management & Finance, whether he was satisfied with the value provided by EMF.

Mr Hurst criticised the level of management and administrative expenses — £1.18m — in view of what he described as "EMF's total lack of ability to make the company profitable".

Another shareholder, Mr ECM Thomas, also criticised the level of expenses and the lack of a breakdown. "If you were in military intelligence, you would have great difficulty in deciphering it," he said, referring to the paragraph on expenses in the annual report.

Lord Remnant, the chairman, said that a wholly independent firm of accountants had been asked to review the management fees and found the value given by EMF was good. However, he said: "I do accept that management costs are high for a company with a capital base of this size".

Some shareholders remained unconvinced however and on a show of hands Lord Remnant was re-elected by just seven votes to five.

Perkins in double Dutch acquisitions for £18.5m

By Philip Coggan

PERKINS FOODS, the fast-growing food manufacturing group, has made further acquisitions in the Netherlands via the purchase of two food companies, Champignons and the Van der Made group, for a maximum consideration of Fl 66.83m or £18.53m.

The acquisitions are being partly financed by the issue of 26.2m Deutsche Mark-denominated convertible preference shares, which will be retained by the vendors.

The DM shares carry a lower yield (5.25 per cent) than equivalent UK shares and the dividend payments are effectively hedged by the earnings of the acquired companies, since the Dutch guilder and the Deutsche Mark are closely linked.

The conversion price of the DM shares is 126p, well above the current 97p Perkins price. Lloyds Merchant Bank put the novel DM preference share scheme together.

Further consideration is payable in the form of £2.65m in cash and 3.08m ordinary shares which were placed on behalf of the vendors yesterday.

Champignons is a mushroom canner, which made pre-tax profits of Fl 5.58m in 1988. Van der Made manufactures potato products and snacks and made pre-tax profits of Fl 2.7m last year.

Perkins is paying Fl 36.3m initially for Champignons and Fl 16.5m initially for Van der Made.

Further payments of Fl 7.3m and Fl 6.24m respectively may be made dependent on future profits.

Vibroplant up 48% to £11m and plans rights

By John Ridding

VIBROPLANT, the Harrogate-based plant hire company, yesterday exceeded expectations with a 48 per cent increase in pre-tax profits to £11.07m for the year to March 31, and announced a 3-for-20 rights issue to raise £11.7m.

The issue of 6m shares at 200p is underwritten by NM Rothschild and is aimed at reducing group borrowings which stood at about £28m at the end of the financial year. Mr Jeremy Pilkington, chairman, said gearing would be reduced from 90 per cent to 40 per cent and provide greater flexibility in the company's future expansion.

During the year, Vibroplant again benefited from the buoyant UK construction market. This, combined with the three US acquisitions made during the period, lifted turnover from £35.8m to £54.2m.

Earnings per share increased 36 per cent to 17.8p and directors are recommending a final dividend of 1.98p (1.65p), giving a total of 3p (2.5p).

UK operations again dominated the results providing £9.4m in pre-tax profits. Because of continued strong construction demand, Vibroplant was twice able to increase prices by 4 per cent. Utilisation rates also saw an improvement and helped push operating profit margins on fleet investment up from 17 per cent to 20 per cent.

In the US, however, margins slipped from 17 per cent to 14 per cent, reflecting the fact that profitability at its new US operations, was initially lower than expected.

Overall, the US businesses increased operating profits from £1.8m to £3.4m. But the fact that two-thirds of group borrowing accrues to the US meant that at the pre-tax level the increase was only from £1.1m to £1.65m.

Vibroplant said it still had only a small share of the highly-fragmented US aerial access market, where there were continuing opportunities for growth and acquisition.

● **COMMENT**

Vibroplant's shares fell 6p yesterday to 246p, a modest drop given the rights issue, the UK interest-rate rise and the shares' 25 per cent climb over the past month. The reason lies in last year's results, which were almost £1m ahead of forecasts, and in the strong underlying performance they reflected. Given the current level of orders this seems set to continue and in the medium term there will be useful fillips from the Government's commitment to expenditure on roads, a business area which supplies about 20 per cent of group revenues. In the longer run, no contracting supply company can remain unaffected by a climate of higher interest rates. But Vibroplant's strong presence in the north, where demand continues buoyant, and its diverse client base should provide a good degree of protection against tighter monetary policy. The jury is still out on its recent US moves, but with another strong year expected in the UK and with about £1m lopped off interest payments by the capital injection, pre-tax profits of around £14m can be expected. After the shares' recent run this implies a prospective multiple of around 11.5 - higher than the sector average but reasonable given its prospects.

UK COMPANY NEWS

Carlton Communications almost doubled at £42m

By John Murrell

CARLTON Communications, the London-based television and photographic production facilities group which yesterday announced an agreed £1.7bn merger with UEI, has unveiled a near doubling of profits to £42.06m pre-tax for the six months ended March 31.

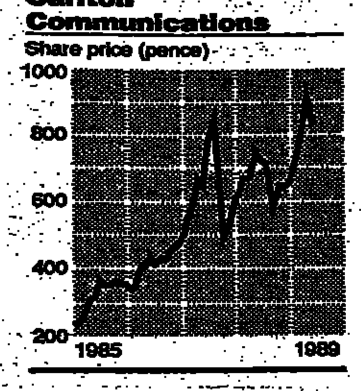
The increase, from £21.19m, was achieved on the back of a turnover more than doubled at £235.5m (£108.35m) which included £28.6m (£23.27m) from the associate company.

Share of profits of the associate, Central Independent Television, rose to £3.72m (£3.1m) and there was also an £88,000 (£389,000) profit from the sale of investments. Interest charges this time of £3.45m compared with previous credits of £1.27m.

Tax of £13.12m (£7.84m) left net profits £15.6m ahead at £28.94m. Tax was calculated at 31 per cent (37 per cent). Earnings worked through at 21.88p (17.3p) and the interim dividend is stepped up from 2.45p to 3.06p.

An extraordinary provision of £718,000 (£2.91m) represented final losses incurred in connection with the disposal of a subsidiary in 1988.

Carlton Communications



Mr Michael Green, the chairman, said Carlton's strategy had been to position itself in markets integral and related to the developing television markets worldwide.

Such a position, he added, enabled the company to benefit from improvements in technology, deregulation and changes in audience viewing habits.

Although buoyant conditions within the industry might attract competition Mr Green believed that the Carlton management had the skill and the motivation to maintain and increase its share of the market as it developed.

He concluded that the future prospects of the enlarged Carlton group were very exciting.

During the half year the television services activities experienced excellent growth due to an increasing acceptance and cost advantages of new video technology and the emergence of new television channels in Europe.

Demand for video graphics, programme editing and distribution services had been particularly buoyant in the UK and continental Europe. Product sales had risen accordingly.

Demand for pre-recorded video cassettes also continued to grow rapidly – Carlton is the largest supplier of video tape duplication services in the world with a capacity in the US alone of over 100m cassettes per annum.

The group's facilities in the US and in the UK experienced a significant increase in volume compared with the corresponding period last year. Major titles duplicated since Christmas include A fish called Wanda, Die Hard and BIG.

Chillington recovers from first half setback

CHILLINGTON Corporation recovered from the profit setback in the first half to record a 28 per cent increase in taxable profits at £3.91m, against £3.05m for 1988.

Turnover rose by £16.59m to £64.63m, a 35 per cent increase.

Directors said all divisions showed good increases except for DIY which suffered from the inclusion of Acotupy in Brazil.

After tax of £592,000 (£950,000) earnings per share on a net basis were 19.2p (10p) or 10.5p (5.7p) fully diluted.

The directors are proposing a final dividend of 5p, making a total for the year of 8p, against 7p. There is a scrip alternative.

Minority interests took a lower £165,000 (£303,000) but there was a higher working capital adjustment of £383,000 (£350,000) representing the provision for the effect of inflation on the maintenance of real working capital of the Brazilian subsidiaries.

There was an extraordinary charge of £174,000, against a credit of £2.56m, which mainly related to closure costs.

Securiguard expands courier service with £6m purchase

By Andrew Hill

SECURIGUARD Group, the security systems and industrial cleaning group, is to expand its existing courier services with the acquisition of City Link Transport Holdings, a private express courier company.

The company is paying an initial £6.05m – £2.21m in cash and the balance in shares – for City Link, which operates 47 branches throughout the UK.

About 1.44m new shares will go the the majority vendors of City Link, including Mr Bob Thomas, the company's managing director, who will hold about 5 per cent of the group's enlarged equity.

Mr Thomas, who will sign a three-year service agreement with Securiguard, and the other majority vendors also stand to earn deferred payments of shares, based on 7½-times City Link's average profits after tax in the two years following completion of the sale. There is no upper limit on the deferred payments.

Mr Alan Baldwin, Securiguard's chairman, said the group had been looking for a nationwide express delivery service, with a respected name, for some time.

"Three majors in the industry have been chasing City Link hard, but they (City Link) didn't want to lose their identity," he said yesterday.

Mr Baldwin added that all three potential buyers had been prepared to pay higher multiples than Securiguard for the business.

The existing Securiguard Express courier service would probably change its name to City Link, said Mr Baldwin. Over the next four years the service would be expanded to over 100 branches, with a move into continental Europe after about two years through small acquisitions.

In the year to October 31, City Link made £1.01m before tax on turnover of £12.5m. Securiguard made a record £3.22m before tax in the 54 weeks to November 6.

In a depressed market, Securiguard's shares fell 5p to 267p.

Shaftesbury

Shaftesbury, the property developer, lifted pre-tax profits 88 per cent from £1.46m to £2.75m in the six months ended March 31. Total income amounted to £3.82m (£2.41m) while earnings per £1 share grew to 9.25p (6.26p).

Accountant criticises GRE board at agm

By Philip Coggan

MR CHARLES ROBERTSON, the accountant dismissed by Guardian Royal Exchange after he made allegations of tax irregularities at the composite insurer, yesterday sharply criticised the board at the company's annual general meeting.

He made speeches opposing both the reappointment of three GRE directors and the reappointment of Coopers & Lybrand as the company's auditors.

Mr Robertson was dismissed two years ago after GRE directors took exception to the way he contacted them with charges of tax irregularities dating back to 1974. The Inland Revenue's Inquiry Branch is still investigating GRE's affairs.

An industrial tribunal ruled that Mr Robertson had been unfairly dismissed. The tribunal also commented that "it seemed to us the respondent's (GRE's) senior officials had been endeavouring to obstruct the applicant's (Mr Robertson's) efforts to make a proper disclosure to the Inland Revenue of the respondent's financial affairs".

GRE dropped an appeal against Mr Robertson's reinstatement but when he returned to work, he was ejected from the group's offices by police. Eventually, Mr Robertson gave up his battle for reinstatement and accepted £91,000 in compensation.

Earlier this year, Mr Robertson was given a temporary job by MENCAP, the charity, but he has not had a full time job since his dismissal. His wife continues to work for GRE.

At yesterday's AGM, Mr Robertson was treated with courtesy by GRE's chairman, Mr Charles Hambro, and allowed to make two quite lengthy speeches outlining the details of his case and his allegations against the directors. But his words fell on stony ground; no shareholder followed up his arguments and his was the only vote cast against the reappointments.

His attack on Coopers & Lybrand followed a report produced by the accountancy group on GRE's tax affairs which found no evidence of fraud. Mr Roberston described the report as "a whitewash".

Habit forecasts recovery to £1.25m profits

By Clay Harris

HABIT PRECISION Engineering, the diamond tools, gem polishing machines and bedsprings manufacturer which is resisting an £8.9m takeover bid, yesterday forecast pre-tax profits of £1.25m for the year to September 30, a sharp rebound from the £956,000 loss reported in 1987-88.

However, Habit's suitor, the Anglo-Swedish engineering and construction services group Epicure Holdings, dismissed its target's defence document as "hot air." Epicure already owns 14.9 per cent of Habit's shares.

At the operating level, which Habit chose to stress yesterday, its forecast profits of £1.9m would be a record, for Habit, surpassing the £1.41m achieved in 1986-87.

On Habit's 5.9p earnings per share forecast, against a 6.05p loss last year and earnings of 7.5p in 1986-87, Epicure's offer represents an exit p/e of 10.8. Habit said this was an "attempt to buy a quality company on the cheap."

Habit said it would consider later whether to declare a dividend for the current year.

The company was pulled into loss last year by a £1.2m deficit at Crosby Disks, its computer substrates subsidiary.

In its offer document published earlier this month, Epicure noted that profits had fallen in Habit's engineering division in 1987-88. It also argued that substantial benefits, including lower overheads and joint product development, would be achieved by combining the two businesses.

Habit said yesterday that its own strategy was already achieving results. It had received offers for its Doric bedsprings business. On April 20, the day before Epicure launched its bid, Habit also announced its intention to sell Walton Jigs & Tools.

With Epicure trading at 32p, its two-for-one offer values Habit shares at 64p, equal to the cash alternative, against 70p in the market. Similarly, paper and cash offers both value Habit's unlisted convertible preference shares at 80p.

PUBLIC WORKS LOAN BOARD RATES

Effective May 23

Years	Quota loans repaid by EPY†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPY†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1	..		12½		-	13¼
Over 1 up to 2	12¼	12¼	11⅝	13¼	13¼	12⅜
Over 2 up to 3	11⅞	11¾	11¼	12⅞	12¾	12
Over 3 up to 4	11½	11½	11⅛	12½	12½	11⅞
Over 4 up to 5	11⅜	11¼	11	12⅜	12¼	11¾
Over 5 up to 6	11¼	11¼	11	11¾	11¾	11½
Over 6 up to 7	11⅛	11⅛	10⅞	11⅝	11⅝	11⅜
Over 7 up to 8	11⅛	11	10¾	11⅝	11½	11¼
Over 8 up to 9	11	11	10⅝	11½	11½	11⅛
Over 9 up to 10	11	11	10⅜	11½	11½	10⅞
Over 10 up to 15	10⅞	10½	10	11⅜	11	10½
Over 15 up to 25	10⅛	9⅞	9⅝	10⅝	10⅜	10⅛
Over 25	9¾	9½	9½	10¼	10	10

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

PWS shares recover 7p as profits fall 21% to £1.8m

By Nick Bunker

PWS HOLDINGS, the accident-prone Lloyd's insurance broker, has taken a first step on what could be a long road to recovery, with half-yearly pre-tax profits down only 21 per cent from £2.24m to £1.78m.

This is broadly in line with results from other companies in the recession-hit broking sector.

PWS plans to pay a 1p (3.5p) interim dividend, a sign of relative confidence which calmed some of the stock market's worries about the heavy debt burden PWS took on under Mr Ronnie Ben-Zur, its acquisitive former chief executive.

The group's shares rose 7p in early trading yesterday, as investors also breathed a sigh of relief over PWS' 1988 annual report, which was released with the interim figures.

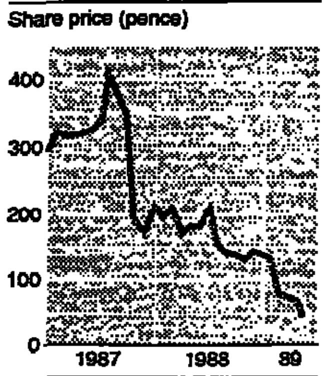
It showed that PWS has working capital of £1.57m, easing the stock market's worst fears about the damage to its balance sheet caused by its disastrous takeover of US-based Glen Nyhan & Associates.

That acquisition led to a write-off of £5.5m, and the departure of Mr Ben-Zur.

His successor, Mr Malcolm Pearson, insisted that the Ben-Zur acquisition policy had been discarded and that the group was concentrating on its traditional core business, dominated by international reinsurance broking.

PWS Holdings

Share price (pence)



Group broking turnover slipped marginally to £7.93m in the six months to March 31, while other operating income, mainly interest, rose 32 per cent to £1.76m.

After-tax profits attributable to shareholders were £1.74m (£1.98m). Earnings per share dropped 19 per cent to 7.4p (9.1p).

● COMMENT

PWS is trying hard, but yesterday's real story lay not in the profit-and-loss account, but in the weakness of the balance sheet. Goodwill write-offs, the GNA debacle and bad debt provisions have left PWS with end-1988 shareholders' funds of a mere £706,000. Against that, long-term debt totals £9.64m, in the form of a credit facility from a consortium of lenders led by Allied Irish Banks. At the moment, cash flow is adequate. But annual interest payments are running at about £1.3m, at a time when after-tax profits are likely to fall still further, because of a rising tax charge and the down-cycle of falling premium rates which has savaged insurance broker profitability since 1987. In theory, the group could ease the pressure by selling two of Mr Ben-Zur's purchases: Harrington Austin, its aviation reinsurance broker, and Craven Farmer, which operates in US property/casualty. In practice, the personalities involved might make this hard to achieve. Analysts are expecting about £2m in pre-tax profits for the full year: yesterday's afternoon's share price of 50p puts PWS on a prospective price-earnings multiple of about 7, which may be a little too low, but only a little.

Chamberlin & Hill up 52% to £1.9m

CHAMBERLIN & HILL, foundry operator and electrical engineer, more than maintained its progress in the second half of the year to March 31.

Following the improvement of 32.5 per cent in pre-tax profits for the first half there was a rise of some 69 per cent in the second six months so the overall gain was nearly 52 per cent from £1.23m to £1.87m.

The performance continued to reflect better margins from operations which, pre-tax to turnover, were up from 9.4 per cent to 11.2 per cent.

Turnover for the year amounted £16.68m (£13.11m); after a lower proportionate tax charge of £480,000 (£393,000) earnings per 25p share emerged at 39.11p (23.6p).

Interest payable was down from £75,000 to £24,000 reflecting an improved balance sheet following the sale of the Lichfield site at the end of the preceding year.

There is a 50 per cent jump in the dividend with a proposed final of 6.5p (4p) to make a total of 9p (6p) and a one-for- one scrip issue is also proposed.

- Profit on the sale of a freehold property brought in £106,000 (£1.12m).

Butler Cox placing gives £9.3m value

By Alan Cane

BUTLER COX, the London-based information technology company which yesterday achieved a full Stock Exchange listing through the placing of about one third of its stock, is a rare but hardly endangered species in the management consultancy jungle.

About 40 per cent of its £7.6m revenues (pre-tax profits of £925,000) in 1988 came from the Butler Cox Foundation, a syndicated research service the company started just over a decade ago and which is now the largest of its kind in Europe. It has some 400 members spread through 20 countries.

About half of the largest businesses in the UK are members including Barclays Bank, Courage, the Prudential and Thomson Holidays.

The placing by Rowe & Pitman of 1.7m ordinary shares at 175p a share values the company at £9.32m with a price/earnings multiple of 15.9 times.

At the end of the day, some 40 per cent of the stock was held by institutions, while the rest was held by the directors, employees and associates. Dealings in the shares are expected to commence on June 2.

A combination of research service and forum for senior executives who have to manage the strategic use of information technology, the Foundation is mining a rich seam of doubt and uncertainty among its members.

It provides them with technical information and analyses but, more important, with the opportunity to compare corporate and personal experience of information technology problems with managers at a similar level from organisations of comparable size.

Mr George Cox, managing director, points out that it also presents the company with the opportunity, unusual in consultancies where growth is usually achieved by increasing staff numbers, to increase revenues without adding to headcount.

Mr Cox said the company was coming to market as part of a long-established corporate plan and in preference to selling out. He had had around a dozen serious offers in the past two years or so but he believed there was still "enormous" mileage left in the organisation as a separate company.

Butler Cox's competitors include the European arm of the US-based Diebold Group, the Gartner Group, now a subsidiary of the UK-based Saatchi & Saatchi, and the Index Group, recently acquired by Computer Sciences Corporation of the US.

Mr Cox said the company's plans were for substantially accelerated growth through a combination of organic growth and acquisition.

City of London PR profits rise by 36%

CITY OF London PR Group, which joined the USM last June, reported a 36 per cent improvement in pre-tax profits from £611,000 to £830,000 in the year to March 31.

The group provides specialist investor and press relations services for overseas and UK companies wishing to maintain or encourage shareholder support. Its turnover was little changed at £1.09m and the pre-tax result was after interest received more than doubled to £286,000. Tax took £238,000 (£200,000).

A final dividend of 1.5p is proposed for a total payment of 2.25p. Earnings per 10p share advanced to 8.08p (6.8p).

Directors said the company was in good shape after coming through a mixed trading year. New clients had given them a bright start to the current year during which they hoped to make their first acquisition from cash resources — currently more than £3m.

SHARE STAKES

Changes in company share stakes announced recently include:

Braithwaite — Norwich Union Life Insurance Society now holds 1.19m ordinary (8.35 per cent).

Clydesdale Investment Trust — Laurentian Life has sold 500,000 ordinary, reducing its holding to 1.31m (9.7 per cent).

Eagle Trust — Coast Securities London has sold 1m ordinary as a result of an option. Coast's total holding, including discretionary clients, is now 44.79m (5.88 per cent).

Europa Minerals Group — Discretionary clients of Morgan Grenfell Investment Management purchased further ordinary shares raising their total interest to 750,000 (5.632 per cent).

Exploration Co of Louisiana — Mr Marsden Miller, chairman and chief executive, has sold 200,000 common stock reducing his beneficial holding to 10.35m (12.92 per cent).

Habit Precision — PK English Trust has bought 410,893 ordinary and now holds 484,630 (3.6 per cent).

Lawtex — United Overseas has purchased 75,000 ordinary raising its holding to 345,000 (8.54 per cent).

Lloyds Chemist — Mr Allen Lloyd and Mrs Marilyn Lloyd, directors, have disposed of 1.18m ordinary leaving their stake at 10m (25.7 per cent).

Prism Leisure — Mr George Akins has purchased a further 100,000 ordinary and now holds 670,000 (17.6 per cent).

Steel Burrill Jones — Ensign Trust has become interested in 1.7m ordinary (5.92 per cent).

Takare — Following a recent open offer a total of 2.75m Takare ordinary are held as to: 2.55m Singer and Friedlander Group, (20.87 per cent of the increased capital); and 204,262 by investment portfolios managed on a discretionary basis on behalf of investment customers of Singer and Friedlander and subsidiaries (1.67 per cent of the increased capital).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemployed	Vacs.
1988							
1st qtr.	107.9	110.8	31.3	117.9	179.9	2,498	248.9
2nd qtr	109.4	112.9	32.0	118.6	181.1	2,364	253.2
3rd qtr.	110.7	115.9	32.7	120.2	189.2	2,228	244.3
4th qtr.	110.7	117.3	33.6	120.9	229.9	2,101	244.5
May	109.4	112.7	31.3	119.0	180.4	2,364	254.5
June	110.1	113.3	31.2	118.8	182.3	2,324	258.1
July	110.6	115.6	31.7	120.7	191.4	2,267	248.7
August	110.5	115.9	32.8	120.4	187.6	2,226	242.8
September	111.0	116.5	32.7	119.4	186.6	2,192	240.3
October	110.5	116.7	33.2	121.9	196.6	2,158	251.2
November	111.2	117.3	33.7	120.7	210.9	2,108	245.2
December	110.5	117.9	33.6	121.1	272.2	2,037	238.3
1989							
1st qtr.	109.2	116.1		121.4	186.4	1,932	226.7
January	109.1	118.1	33.4	119.5	184.7	1,969	229.2
February	109.9	117.6	33.8	122.1	183.9	1,949	228.1
March	109.6	118.5		122.6	190.1	1,917	222.9
April				120.9		1,856	222.1

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
1st qtr.	109.9	106.3	107.8	107.5	117.8	103.6	20.2
2nd qtr	111.5	108.9	106.7	110.2	120.3	101.9	22.3
3rd qtr	113.7	114.3	105.1	115.0	123.7	102.2	20.4
4th qtr	114.2	116.8	107.1	116.7	124.7	102.4	18.4
June	111.9	111.6	106.7	112.0	119.0	101.0	23.5
July	113.8	113.0	106.3	114.8	124.0	104.0	20.8
August	113.1	114.3	106.1	115.9	128.0	102.0	20.5
Sept.	114.3	115.6	105.0	116.0	120.9	101.0	20.1
October	113.4	116.1	107.4	117.6	122.8	101.0	19.6
November	114.7	117.1	107.6	117.0	128.0	102.0	21.4
December	114.3	117.2	106.5	115.9	126.0	104.0	14.2
1989							
1st qtr.	116.2	116.2	104.2	115.9	127.2	102.2	17.2
January	114.8	116.2	104.2	115.0	134.0	102.8	15.8
February	116.9	118.8	103.9	115.8	126.9	102.8	18.6
March	115.8	118.5	104.5	116.0	121.6	103.0	14.4

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	108.2	118.8	-4,029	-3,001	+730	97.0	44.64
2nd qtr	111.4	127.7	-4,606	-2,744	+615	98.7	48.52
3rd qtr	109.3	135.7	-5,566	-3,438	+460	99.3	50.48
4th qtr.	106.6	135.0	-6,304	-5,485	+340	98.0	51.69
June	114.8	130.0	-1,572	-910	+275	99.0	49.82
July	107.0	141.5	-2,506	-1,513	+119	98.9	49.83
August	105.0	127.6	-1,657	-905	+177	100.0	50.64
September	114.1	131.8	-1,473	-720	+184	99.1	50.43
October	103.7	136.6	-2,655	-2,382	+67	97.8	50.06
November	107.1	131.5	-1,886	-1,612	+132	97.6	51.06
December	109.1	135.0	-1,763	-1,489	+141	98.7	51.89
1989							
1st qtr.	111.6	141.3	-5,965	-4,495	+84	109.2	50.45
January	114.5	146.1	-2,090	-1,599	+103	100.3	51.71
February	104.8	136.9	-2,196	-1,805	-18	100.9	51.68
March	115.8	138.9	-1,690	-1,190	+107	100.2	50.46
April							50.79

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
1st qtr.	6.2	20.6	20.5	+12,903	3,057	+865	8.50
2nd qtr	6.6	19.6	20.4	+15,343	4,173	+1,105	9.50
3rd qtr.	7.7	17.3	22.7	+15,748	3,162	+1,082	12.00
4th qtr.	7.7	14.3	20.5	+18,379	3,160	+873	13.00
July	6.9	15.1	21.1	+6,152	1,392	+345	10.50
August	7.6	15.9	20.6	+3,372	1,179	+471	12.00
September	8.5	17.3	22.7	+5,659	921	+276	12.00
October	7.7	13.7	19.8	+4,222	1,853	+186	12.00
November	7.7	11.7	20.6	+3,769	756	+382	13.00
December	7.7	14.9	20.5	+6,200	819	+295	13.00
1989							
1st qtr.	6.7	13.6	21.2	+14,091	2,661	+810	13.00
January	7.2	11.4	21.3	+6,556	794	+224	13.00
February	6.6	13.6	22.2	+2,292	1,064	+260	13.00
March	6.2	13.9	21.2	+5,163	813	+328	13.00
April					1,178		13.00

INFLATION-Indices of earnings (1985=100): basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	122.6	96.9	111.9	103.7	103.5	1,747	76.2
2nd qtr	124.6	97.3	112.8	106.2	104.6	1,817	77.6
3rd qtr.	127.9	98.8	113.9	108.6	104.7	1,902	75.3
4th qtr.	131.8	100.1	116.2	109.9	105.1	1,882	77.5
July	126.9	98.4	113.5	108.7	104.0	1,970	75.6
August	126.6	98.8	113.6	107.9	104.4	1,863	76.5
September	127.6	98.2	114.3	108.4	104.8	1,873	75.5
October	129.6	98.0	114.8	109.5	104.9	1,874	76.3
November	130.7	99.6	115.2	110.0	105.7	1,906	77.1
December	134.3	102.6	116.4	110.3	106.5	1,921	79.0
1989							
1st qtr.	134.0	102.7	116.6	111.7	107.6	1,974	97.1
January	132.3	104.0	116.4	111.0	107.4	1,959	97.9
February	133.8	101.6	116.5	111.8	107.7	1,954	97.4
March	135.6	102.3	117.2	112.3	108.3	1,985	95.9
April		103.6	117.6	114.3	109.5	2,016	95.5

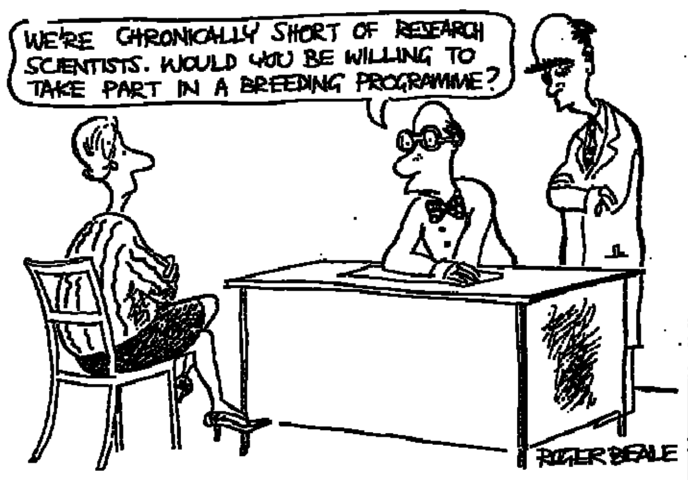
*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

TECHNOLOGY

Lab doors are eased open for mothers

David Thomas examines an initiative that draws on a reservoir of latent talent



Most people who are worried about Britain's scientific and technological future would agree on two propositions.

First, the sharp fall in the number of young adults, early next decade, could further squeeze the already inadequate flow of qualified manpower into scientific and technological jobs.

Second, one reason why Britain is already short of scientific and technological talent in many disciplines is its failure to make them more attractive to one half of the population: namely, women.

The Institution of Electrical Engineers has just 800 women among its nearly 100,000 members. The Institute of Physics can count less than 700 women among its 12,000 members. Three women fellows grace the Institution of Civil Engineers. And so on.

"Women scientists at present have to work within a system which has been designed by men for men. This system is not hostile to women, it simply ignores them," says Daphne Jackson, Britain's only female professor of physics, who produced these dismal figures.

Despite her trenchant views, Jackson is by no means a gung-ho feminist. She readily admits to not having appointed a female lecturer during the 18 years she has spent as head of Surrey University's physics department.

But Jackson has noticed structural barriers to women getting on in science and engineering. Many women take a spell out of work in their 20s and 30s to raise children, so missing the most important years for launching a scientific career.

While this can act as a block on women in most careers, it forms an extra impediment in high level scientific work. "We're all trained in the universities to believe you do your best work when you're young," Jackson notes.

Imagine the choice between a 27-year-old man with recent publications to his credit and a 40-year-old woman who, with evidence of brilliance behind her, has spent the last 10 years bringing up children. "It's a brave head of department who gives that woman much of a chance," she acknowledges.

So Jackson set about trying to encourage some of the female talent lost to the system. She devised a scheme which has proved its worth in its first three years, but is now in danger of running into the sand for lack of funds.

The thought behind Jackson's Fellowship Scheme is simple enough. Special arrangements are needed to attract back well qualified women in science and engineering who have taken time out to raise their families.

First, most still want to work part-time when they resume a career in order to continue caring for their children. Many will also need some kind of transitional help, partly to regain confidence in their skills and partly to catch up with changes in their subjects.

So Jackson proposed a special fellowship scheme for women returners. Initially, she hoped it would attract public funds. But the Department of Education and Science vetoed this on the mind-numbing ground that the proposal was discriminatory.

Little daunted, Jackson set about canvassing private funds. Leverhulme Trust was a heavy backer with £110,000. A clutch of large companies gave £30,000 or more, including British Gas, the Electricity Council, British Telecom, GEC, Cable & Wireless, British Petroleum and ICL – enough for Jackson to launch the scheme in the summer of 1985.

Hilary Perry had been thinking for about a year about stepping back into research. But she was unsure what she could do because she had not been in a lab since finishing her Oxford botany doctorate in the early 1970s. "I felt very much behind with the literature."

She was also determined to work part-time to continue caring for her children. So the fellowship scheme seemed ideal when she read about it in the magazine New Scientist.

Jackson put her in touch with Cardiff, her local university. Perry approached the biochemsitry department, the nearest to her field, and was welcomed by the scientists there, her formal letter of appointment arriving on her 40th birthday.

Perry spent three years from the start of 1986 researching the reasons for wholemeal flours degrading, a project of considerable potential to the food industry. The part-time arrangement left her free to spend school holidays and half terms with her children and to work in the lab mainly in school hours.

Her colleagues supported her, particularly through the first three months of culture shock. "It all seemed very strange again to be making up solutions and handling apparatus." But the upshot is that she is now on the point of securing funds for a further research project, a success emulated by all the women who have gone through the scheme.

So far it has helped 27 women back into science and engineering. Most had PhDs up their sleeves, but were uncertain about the best way to put their training to use. Jackson's fellowships have allowed them to work on projects as diverse as GEC-funded research on information technology in physics, an ICL-backed study of computer modelling and a Shell-aided investigation of high performance polymers.

Jackson reckons there are hundreds, perhaps thousands, of women of this calibre, educated at great public expense, who could be tempted back into high-grade scientific and technological work if the scheme were extended.

"The only way that the country can overcome skill shortages in the short and medium term is by making use of returners and mature new entrants," she argues.

But Jackson is reluctant to ask the same group of industrial sponsors for more money. And so far she has run into a brick wall from some science-based industries, such as the drug companies, as well as from commercial concerns, such as the banks. An eminently sensible scheme may be about to collapse just as it is proving its worth.

Under starter's orders for a telephone betting spree

No doubt Dick Francis will one day make use of it in a best-selling racing thriller. But more immediately, a new telephone and computer system will help the Tote to make the most of the UK betting extravaganza that will accompany the Epsom Derby on June 7.

Installed at Wigan by Tote Credit, the division of the Horserace Totalisator Board handling account customers over the telephone, the system allows large numbers of bets to be taken during the brief pre-race period. It also provides up-to-the-second information which is used to work out odds in a way that minimises the risk of losses on any one horse.

Tote Credit says it is the largest credit betting operation in the world with 50,000 customers. The telephone system, supplied by GPT Reliance, a division of GPT, the joint venture between the UK's GEC and Plessey, is manned by 240 operators at peak periods.

The £600,000 system holds customers in a queue and allocates them to operators. Supervisors use monitors to check how long each customer has had to wait.

Colin Dingley, managing director of Tote Credit, says he tries to ensure that no one has to wait more than 10 seconds. Any calls which have ended with the customer hanging up before placing a bet are logged.

"Although there have been other factors involved, such as a general increase in account betting, the system has helped us increase our turn-over by about a third since the beginning of the year," says Dingley.

The operator enters information about the bet through a touch-screen into an XA2000 computer (with 16 megabytes of memory) supplied by Stratus, of Massachusetts.

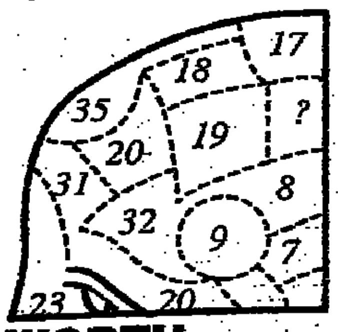
The computer records all bets and prepares fortnightly statements and, where necessary, cheques. The statements include information about each bet – the race, its date, the name of the horse, the amount wagered and any winnings.

More importantly, says Dingley, the system supplies instant information about how much has been placed on each horse, what the organisation's liabilities are and how much it stands to win or lose at current odds. With 35,000 calls expected on Derby day, involving wagers totalling up to £1m, such details are significant.

But decisions about a racehorse's odds are not left to the computer. Dingley says that machines will never replace a bookmaker in this role because to some extent such decisions are intuitive.

Tote Credit's 33 per cent increase in turnover, since the system's February installation, comes in the run-up to the privatisation of the Horserace Totalisator Board. A study by Lloyds Merchant Bank is with the Home Secretary.

Paul Abrahams



WORTH WATCHING

Edited by **Geoffrey Charlish**

Taking the heat off concrete

LIQUID nitrogen, used in science and industry to produce rapid reductions in temperature, has been applied by BOC Group, of the UK, to the problem of keeping concrete cool in hot weather.

Concrete that has cured at too high a temperature can suffer cracking. In bad cases, where grouting repairs are not feasible, sections may have to be replaced.

The BOC process, called Coolcrete, is based on the injection of liquid nitrogen into the concrete vehicle from a specially designed rig. The nitrogen is drawn from a bulk storage tank.

As the vehicle's mixer drum rotates, the injected nitrogen boils off, having performed its cooling function, and returns harmlessly to the atmosphere. Temperature reductions in the range of 10 to 20 deg C can be achieved in less than five minutes.

The method of injection ensures that nitrogen does not become mixed with the concrete, which can be laid straight away.

The rig is easily transported and can be adjusted to suit various types of delivery vehicle. The technique has been tested and applied successfully to a number of civil engineering projects.

A smart way to divert a missile

NAVAL methods for defeating incoming guided missiles are getting "smarter". For example, the latest P6 infrared and P8 radar "chaff" rockets from Plessey can be deployed from launchers in many different computer-controlled ways to provide a more attractive target for the missiles than the warship they were supposed to hit.

Plessey has just won orders for the rockets from Canada worth C$7.7m (£4m).

Modern ship-to-ship missiles have either radar or infrared systems in their noses. The first detects the target warship by means of microwave signals reflected from the hull, the second senses the heat given off by the ship's engines.

The radar varieties can be defeated by "chaff", a large number of tiny reflecting aerials, which are sent up from the ship by rocket to explode at some distance away from the vessel to form a target. The infrared missiles are hoodwinked in a similar way by creating a thermal flare.

The new P8 rockets have a larger chaff payload and a programmable electronic fuse that decides the best dispersion point over the sea.

The P6 infrared device has been developed with the Buck company of West Germany. Each round contains seven individual sub-munitions which are ejected under precise guidance. The resulting hot material creates a realistic simulation of a warship's heat signature.

Wind power to back up diesel

EB ENERGY, of Oslo, part of the Asea Brown Boveri group, has developed a combined wind/diesel power plant, in collaboration with the Norwegian Research Institute of Electricity Supply. It is to be marketed jointly with Danwin, the Danish manufacturer of wind turbines.

The new power plant provides an output of between 100 kilowatts and one megawatt, and is controlled by a microprocessor.

Operation is based on a combination of wind, diesel and battery power. When there is no wind, the system operates as a standard diesel electric generator set. With light winds, the wind turbine works in parallel with the diesel engine, saving fuel.

At higher wind speeds, the diesel unit is automatically switched off and the battery supplies any extra power that might be needed. If the turbine produces more power than is demanded, the surplus is used to charge the battery.

It is claimed that fuel savings of about 50 per cent can be achieved compared with diesel-only power plants, if wind conditions are favourable.

EB Energy believes that the plant, which is supplied in a container ready for operation, will offer a viable alternative on islands where electric power from the mainland would be expensive to provide.

Caution over new telecoms system

ACCORDING to the latest Telematica report from Logica, the London computer and communications systems house, there will be only modest installation levels of ISDN (integrated services digital network) in Europe by 1994.

ISDN offers users the prospect of sending almost any kind of information that can be digitised, including sound, pictures and data, from a desk-top terminal that would replace the present telephone handset.

Although the growth rate of ISDN from a small base in 1989 will be quite high, the forecast indicates that only 0.5 per cent of all telephone lines will offer ISDN by 1994.

Logica's research shows that ISDN is being pushed by the telephone companies and suppliers rather than demanded by users. User awareness and understanding is still immature and scepticism high.

To attract users, says Logica, ISDN will have to support existing services as well as offer new ones. The report believes that marketing emphasis must therefore be focused on the speed and quality of ISDN lines, on international compatibility and on the advantages of enabling a comprehensive exchange of information via terminals.

However, the view of Kazuo Morita, a board director at Hitachi, is that ISDN's advance is opening up vast markets. He says: "With the ISDN standard becoming the norm for digital networks world-wide, the global spread of ISDN is assured and it is Hitachi's intention to seize the enormous opportunities offered by taking an energetic approach to world markets."

CONTACTS: BOC Priestley Centre: UK, 0483 579857. Plessey Naval Systems: UK, 0963 70551. EB Energy: Norway, 2 644020. Logica: London, 637 9111. Hitachi: Tokyo, 258 1111.

BUSINESS LAW

A.H. Hermann looks at the prospects for uniform commercial terms which businessmen and women anywhere could choose

The privatisation of international trade law

This week, my last at the Financial Times, the United Nations Commission on International Trade Law (Uncitral), is having one of its bi-annual sessions in Vienna. Uncitral, a brainchild of Professor Clive Schmitthoff, has been for the past 25 years producing a stream of draft conventions, model laws and legal guides, designed to bridge the legal systems of East and West, of North and South and in addition to provide a lead in the formulation of laws needed to meet new modes of business communications.

Like the International Institute for the Unification of Private Law (Unidroit), which has been in the same business since the 1930s, Uncitral now feels the need to pause a little and to divert some its energy from new projects to the promotion of the many approved and signed but never applied in practice. The heads of the two teams, Mr Eric Bergston in Vienna and Mr Malcolm Evans in Rome, used almost identical language when I recently discussed this problem with them.

The two organisations partly cover the same ground but seem to manage without stepping on each other's toes. Uncitral has the advantage of status, being able to place its proposals before the UN Assembly or to call diplomatic conferences. Unidroit, as a private organisation though backed and financed by governments — Italy provides 25 per cent of its budget — must find a government which will sponsor it each time it wishes to place a project on the international agenda. This disadvantage is probably offset by a greater distance from UN politics and a wider remit: Unidroit covers not only trade law but the whole area of civil law.

The history of attempts at unification of laws follows closely the history of political integration in Europe and elsewhere. As long as trade was only of marginal importance, there was no need of it — the traders carried their law in their saddlebags.

The Roman Empire superimposed its law on conquered territories with varying intensity, applying it fully only to those who were Roman citizens. This "nationality principle" is now sometimes applied by US courts to US citizens and US companies abroad, to the dismay of the host countries. One task of law unification, not tackled so far, should be to deal with this and other problems of extraterritorial application of national laws.

Not much of Roman law survived the Dark Ages and the new urban centres which emerged from them evolved their own legal systems independent of the "King's law" of whichever country they were a part of. On the eve of the French revolution, Voltaire complained that "one has to change law every time one changes horses." The great codifications of civil and penal laws were, in fact, great projects of law unification on a national scale. In England this was achieved by the judge-made Common Law.

New problems appeared with the growth of trade when the differences between the national legal systems of the civil law countries of continental Europe and the common law countries started to matter, and when the countries of the British Commonwealth started to produce their own versions of the commercial law inherited from Britain.

In between the two world wars legal unification was almost a family affair of the European countries, centred on Unidroit in Rome. It received a new dimension after the Second World War when the former colonies in Africa and Asia entered the world stage and when the countries of Latin America became more self-assertive.

At first the influence of the developing countries and of the communist block was mainly negative, inspired by a deep-seated suspicion of "capitalist and imperialist" law-making. That was the period of the great arbitrations by which the western oil companies tried to obtain compensation for nationalised concessions.

However, after some time the new African and Asian states discovered that a respectable legal system would be useful for attracting aid, investments and for gaining direct access to world markets. They now take a more positive interest in the work of Uncitral and Unidroit, and so do the communist countries.

In the post-war years it was often said that the unification of laws could somehow contribute to world peace. More recently, the emphasis has been on the practical usefulness of individual projects. In addition, the difficulties of obtaining a sufficient number of ratifications for conventions make it necessary to give projects the less ambitious forms of model laws or legal guidelines.

The post-war unification of laws has been most effective on a regional scale. The adoption of the Uniform Commercial Code throughout the US and the EC harmonisation of laws (on agents, bankruptcy, companies, competition, patents and trade marks, product liability, as well as choice of law applicable to contracts, and jurisdiction and enforcement of judgments) have already created two regions, each with its own uniform laws. This may make it harder to persuade them to support any world-wide unification.

The slow implementation of international conventions and the sparse use made of them by business contrasts with the outstanding success of the entirely private efforts of the International Chamber of Commerce in Paris. By systematic publicity, it has achieved worldwide acceptance of its Incoterms – defining such contract clauses as free on board (fob) and cost, insurance, freight (cif) – and of its Uniform Customs and Practice for Documentary Credits.

The success of such efforts may be a sign that, as we approach the year 2000, the second stage of law unification is more likely to be achieved by private initiative. This is in marked contrast with the first stage of unification, around 1800. On the Continent this took the form of national codifications. In the British empire it took the form of the expansion of common law: London standard contracts, London arbitration and, ultimately, the commercial judges of the High Court made the law that ruled the waves.

For this reason, one might have thought at one point that the UK was ideally placed to take a lead in the unification of world trade law as soon as the need for it became apparent in the 1950s. However, this did not happen and instead the nostalgic notion that the uncodified English commercial law is best for everybody seems to have prevailed. It may well be the best, but the unpredictability of its interpretation by judges means that no one knows what it really is.

The UK's representatives are among the most diligent in Uncitral and Unidroit drafting sessions, crossing the t's and dotting the i's, but when it comes to ratification of the resulting texts, the UK is, as a rule, most reluctant.

This can be illustrated by the UK's slow acceptance of the 1980 Uncitral Convention on Contracts for the International Sale of Goods – the so called Vienna Convention – which is probably the most significant achievement of unification efforts so far. It has been ratified by 19 states, Western, communist, Asian and African. The ratification by the US, Soviet Union, China, and a number of European countries, both in and outside the EC, has created considerable pressure on the British Government to follow suit. A move in this direction is now expected.

The Vienna Convention replaces the Unidroit Hague Convention of 1964, which proved unacceptable to the communist and developing countries. It has a wider geographical basis and will be mandatory unless the parties contract out. Signatory states can exclude the part relating to formation of contracts (rules on how contracts are made) but it seems unlikely that the British Government will do so if it decides to ratify.

However, even if ratified, the convention is unlikely to cut much ice in the UK. Professor Roy Goode, the leading UK expert on trade law unification, doubts the effectiveness of the convention. After listing its deficiencies, he writes*: "as the seller will usually want to impose his own standard terms, the provisions of the Convention are likely in practice to be confined to cases where the parties either omit to exclude it through inadvertence or choose to allow it to govern the contract because they are unable to agree on any national law as the governing law."

In a quite different category are two projects aiming at a sort of model uniform commercial code.

A commission chaired by Prof Ole Lando is drafting Principles of European Contract Law for the EC. The practical significance of the work may well be that sooner or later Brussels will press hard for the adoption of a single commercial code for the Community.

A parallel Unidroit project, Principles of International Commercial Contracts, is led by Prof. Michael Bonnel. It aims at universal application and is in an advanced state of drafting.

Such "principles" could serve as a model for countries wishing to codify their commercial law, and as a guidebook to arbitrators when the parties agreed that disputes should be decided according to general principles of law.

New possibilities for arbitration of this type have been opened by Lord Donaldson, Master of the Rolls, who said: "By choosing to arbitrate under the rules of the ICC and, in particular, Article 13.3, the parties have left proper law to be decided by the arbitrators and have not confined the choice to national systems of law. I can see no basis for concluding that the arbitrators' choice of proper law – a common denominator of principles underlying the laws of the various nations governing contractual relations – is outwith the scope of the choice which the parties left to the arbitrators."†

The drafting of general principles of contracts, and the many specialised unification projects, may prove useful in arbitration practice and to those drafting contracts. But the overall picture seems to be of excellent work largely wasted. This is due not only to the slow pace of governments and legislatures, but also to the unavoidable shortcomings of drafts resulting from a multinational compromise: such results are bound to be often fudged and likely to be interpreted differently in different national courts. Also, parties better equipped for lobbying achieve greater respect for their interests in the unification drafts. In this way, carriers obtain limitation of liability unwelcome to the shippers, and banks are more likely to have their way than their customers. Moreover, even those drafts which do not suffer from such shortcomings do not often benefit in practice for the simple reason that they are known only to a small circle of governmental and academic experts.

To avoid disputes over contracts straddling national frontiers, or to facilitate their resolution, there may be a need for a plain language guide to uniform trade terms which businessmen and their legal advisers could incorporate in contracts in the same way as they use Incoterms. This is a project in which, I hope, the readers of this column will support me with information and criticism, as they have been doing in the past. For this, I would like to thank them all – but there is no need to say goodbye.

R.M. Goode, Commercial Law, p. 576.

†*In Deutsche Schachtbau- und Tiefbohregesellschaft GmbH v The RAS Al Khaimah National Oil Co & Shell International Petroleum Co Ltd*

A.H. Hermann, who is retiring as Legal Correspondent of the Financial Times at the end of this month, has been appointed D.J. Freeman & Co Senior Research Fellow on International Trade Law at the Centre for Commercial Law Studies, Queen Mary College, University of London.

The unification jungle

Other projects of legal unification

Agents:
The Unidroit Draft Convention on Agency in the International Sale of Goods was dropped after the adoption of EC Directive on Commercial Agents but may be revived later.

Contracts:
Uncitral Draft Rules on Liqidated Damages and Penalty Clauses; Guidelines for Drafting of Countertrade Contracts; Model Law on Public Procurement; Legal Guide on Drawing up International Contracts for the Construction of Industrial Works; and Unidroit Rules for the Formation of Contracts by Electronic Means.

Dispute resolution:
Uncitral Conciliation Rules; Arbitration Rules; Model Arbitration Law.

Payments and Credit:
ICC Rules for Bank Guarantees; Uncitral Draft Convention on Bank Guarantees and Stand-by Letters of Credit; Convention on International Bills of Exchange and International Promissory Notes. Legal Rules on Electronic Formation of Contracts; Legal Guide on Electronic Fund Transfers, now renamed Model Law on International Credit Transfers; Unidroit convention projects on International Factoring and International Leasing; and on Security Interests in Mobile Equipment.

Sales:
Uncitral Convention on the Limitation Period in the International Sales of Goods; Unidroit and Council of Europe drafts on Product Liability (dropped after the adoption of the EC directive); Unidroit Legal Rules on Franchising.

Transport:
Uncitral Convention on Carriage of Goods by Sea, 1978. (The Hamburg Rules) designed to replace the Hague-Visby Rules; the IATA Warsaw Convention on Limitation of Liability of Air Carriers; and the Convention on the Contracts for the International Carriage of Goods by Road (CMR). (These three transport conventions are the only ones which became mandatory law in the UK.) Uncitral Draft Convention on the Liability for the Operation of International Terminals.

Tighter sugar supply estimated

By David Blackwell

THE WORLD sugar supply/demand balance is tighter than it appeared three months ago, according to the latest Sugar Review from Czarnikow, the London trade house.

It has reduced its estimate for 1988-89 production to 106.11m tonnes from 107.02m tonnes predicted in February, mainly because of reduction of almost 1m tonnes in Indian output.

At the same time it has cut the forecast for consumption in calendar 1989 to 108.63m tonnes, compared with February's prediction of 109.4m tonnes.

Czarnikow says that while it is too early to make a realistic assessment of next year's production, a major improvement in output seems necessary to avoid another deficit.

The level of demand in 1990 is likely to reach 110m tonnes, according to the report, and this "would require an increase in output of around 4.5m tonnes just to hold current stock levels unchanged."

An increase of this size "would require a good performance in many countries." It would also be the fourth successive increase in a row, and there has not been such a sequence of gains for 20 years.

The sharp reduction in Indian output halfway through the season is seen as extraordinary, "but so large is the scale of cane growing in India that a relatively small percentage swing in deliveries between sugar factories on the one hand and gur/khandsari (village made sugar) producers on the other can result in significant changes in the tonnage of sugar produced."

The resulting swing in the potential trading profile is dramatic. India is now expecting only 9m tonnes of white sugar to be produced. Czarnikow does not believe the reduction in domestic output will mean a corresponding volume of imports will be required. While earlier plans to export 100,000 tonnes of white sugar have been abandoned, "it may be some months before the authorities allocate foreign exchange resources to the import of sugar."

The appearance of another volume buyer in the second half would further underpin prices at any sign of uneasiness in the already tight white sugar market, says the report.

Czarnikow believes that China will need further supplies in the third quarter. But recent developments there have led the trade house to reduce the Chinese consumption estimate by 100,000 tonnes to 8.15m tonnes.

Profits in store from contented porkers

Bridget Bloom describes an integrated pig project extending from breeding to retailing

"THE BOTTOM line is profit" said Mrs Amanda Ryder, scratching the ear of a particularly friendly pink and tan pig.

The animal was one of a couple of hundred rooting contentedly in a big 19th century Scottish stone barn, deeply lined with straw. The pig and its companions had been born in a hut in a field where their mothers spend their lives wallowing in dust or mud.

Practically free range, the animals are clearly less stressed than intensively reared pigs, railed in on concrete or slatted-floored sheds.

However, the point being made by Mrs Ryder, senior technologist in Marks and Spencer's meat department, was that the lack of stress which stemmed from the pigs' comfortable living produced better pork. That the pigs' environment might be praised by animal welfare bodies was secondary, if satisfactory.

As Marks & Spencers executives tell it, the pigs, a new breed, are on Mr John Porter's Scottish farm because of a challenge to them thrown out by Lord Sieff, the chairman of Britain's leading retailer of chilled food, several years ago, to find "some good British eating pork."

So far, the only publicity which M & S has given to the project which grew out of that challenge is to mark the resultant pre-packed pork fillet, roasts, chops or marinaded kebabs now appearing on its shelves with the words "tender and succulent."

Yet the partnership between the big retailing company, a Somerset pig breeder, a meat processing enterprise and a handful of farmers could well prove an increasingly important phenomenon in British agriculture in the future. The technology-driven revolution in food production over the past 30 years has been accompanied by an equivalent revolution in food retailing. Today, half a dozen large retailers dominate sales of food to British households and, as publicly-financed support for farming declines, seem increasingly likely to determine what the country's farmers produce as well.

Marks & Spencer's role in the pig project is remarkable principally because, while the company has no financial investment in it, it effectively controls each of the processes involved, from breeding the new stock through to the rearing, fattening and slaughter of the pigs and to the processing and packing of the meat.

The story begins in the early 1980s when, taking up Lord Sieff's challenge, company technologists decided what was needed was a new pig bred not for bacon but for eating as fresh pork.

The pig that eventually emerged was derived from a Duroc boar, a breed originating in the Iberian peninsula, and a Hampen female, itself a cross between the American Hampshire and the British Landrace. The progeny – apart from their pretty colours and big ears – can be bred in a low cost outdoor system, and produce the "marbled" meat claimed to make for more tender and succulent eating.

Marks and Spencer believes free range pigs produce tastier pork

The partnership which produces the so-called SPM pig (from the initials of the three main companies) involves a lengthy chain in which Scotbeef, a Glasgow-based meat processing company with an annual £38m turnover, plays the central entrepreneurial role. Peninsula Pigs in Frome, Somerset, bred the boars and original gilts, selling them to Scotbeef. That company, with the help of technical expertise from both breeder and retailer, leases the boars to the seven farmers currently rearing some 2,500 sows in Scotland. It also contracts out their fattening and slaughter and then processes the pork in its own factories.

Though Mrs Ryder, as Marks & Spencer's chief porkmeat technologist, can be involved at any stage, the company comes in financially only when it buys the wrapped, priced-up packets from Scotbeef and puts them on its food store shelves.

Mr Ian Galloway, managing director of Scotbeef, acknowledges the deal is tough. His company, and to a lesser extent the breeder and the farmers, take the financial risk. "The multiple retailers are in a strong enough position to insist that we take the gamble," he says, listing the prime advantage – "if it all works" – as an established market outlet, rather than a premium price for the pork.

Mr Galloway has no formal contract with M & S but seems to enjoy a close relationship with its executives in which trust is clearly vital.

"It's a bit like a marriage," he says, noting that a third of his business, mainly in sales of beef and lamb, is with the company, with which he has had a 25 year relationship. "If things get sticky you don't often get slung out but you might have to cool your heels in the corner of the room for a bit."

Mr Porter, one of the seven Scottish farmers growing the pigs for Scotbeef, is obviously enthusiastic. "The whole idea appealed to me because the end product is market-led and much more satisfying that producing for the intervention stores," he said at his Ballumbie farm near Dundee last week. He sold his 120-strong dairy herd – and his milk quota – last year, which has helped with the investment of £60,000 he has made in the pig project.

Neither he nor his farm manager, Mr Alan Stewart, had experience of pigs – which is what pig breeder Mr Eric Oaks, managing director of Peninsula Pigs, who supervises that end of the scheme, likes. "Such men have good stock knowledge but no preconceived ideas about pig rearing. They tend to do very well," he says.

Mr Porter "grows" the pigs, which are currently on 37 of his 980 acres, as a "break crop" from cereals and potatoes. He has 440 sows, divided into paddocks of roughly an acre each, boars are rotated between them to ensure year-round farrowing, while the piglets are kept with their mothers until weaning at three weeks. Once weaned they are reared on straw in covered yards, and sent to be fattened at 10 weeks.

Mr Porter says the system is still being fine-tuned but seems well suited to his type of mixed arable farming. Apart from their role in the rotation, he can make savings on fertiliser from having pigs on bare ground or grass, can use his own straw for bedding and the resultant farm yard manure on the land. He will soon be feeding the pigs his own grain, thus avoiding the European Community's hated cereal co-responsibility levy.

Though his initial investment is high, at some £150 a sow it is a tenth of what it might cost to establish an intensive pig unit. The herd is managing about 10.5 live births per sow, with between 22 and 24 piglets reared a year. There is a low incidence of disease so far, while the pigs themselves are reported to be quieter and more amenable than their intensively reared counterparts.

Quite a big disadvantage, however, is that the farmers are finding the system rather too labour-intensive, particularly because piglets are on straw. And while the pigs do not mind the outdoor winter cold, the men do.

On balance, however, all its participants seem to be judging the scheme a success. Whether or not the outdoor pig becomes more fashionable as criticisms of intensive livestock increase, as many seem to believe it will, for Marks & Spencer profit does appear to be the bottom line. The company is currently planning to produce and process the SPM pig in eastern England, with the aim of ensuring that all its fresh pork, and not just 50 per cent as at present, comes from the new, more "environmentally friendly" animal.

US agricultural co-ops emerge stronger after the lean years

Deborah Hargreaves reports on the growing health of a slimmed down sector of the farming industry

THE US agricultural co-operative movement is one sector of the US farm industry to emerge stronger from the lean years of the early 1980s, and although the going has been tough, co-operatives continue to increase their market share.

The last two years have seen record income for US farm co-operatives as the sector netted close to $1.5bn on sales of over $50bn. This dramatic upturn is largely the achievement of major operating efficiencies at co-ops, according to Mr Glen Ingalsbe at the Agricultural Co-operative Service in Washington.

"Even in the worst of times, co-operatives as a total group had a black bottom line," stresses Mr Ingalsbe, "now they are looking extremely healthy."

The 5,174 co-operatives in the US are a diverse group of organisations, marketing anything from commodity grains to cotton, fruit and veg and, in Scotts Bluff Nebraska, pinto beans.

They typically provide services and supplies to farmers as well as marketing their produce and offering professional counselling.

In 1987, the co-operative sector as a whole posted $43bn in sales from marketing products; $14bn from farm supplies; and $2bn from services. Most are small local affairs with sales of less than $15m a year, Mr Ingalsbe explains, these are set up to serve their immediate areas.

At the other end of the scale, however, some 15 co-operatives report sales in excess of $1bn a year and 12 are listed as Fortune 500 companies.

These large concerns run their own brand merchandising operations with such well known labels as Sunkist citrus and Land O' Lakes dairy produce, as well as providing export services for farmers.

Farmland Industries, based in Kansas City, is the second largest co-operative in the US with annual sales of $2.6bn. The operation is run on a federated structure and is owned by 2,300 local area co-ops, which in turn service 250,000 farm families in over 19 states.

Farmland provides inputs such as petrol, fuels, tyres, feed and fertiliser as well as a variety of financial and management advisory services. Its subsidiary, Farmland Foods, processes and markets pork products in its own chain of supermarkets.

Farm co-operatives are generally financed out of their own earnings; at the end of the year 20 per cent of a co-op's net income must be paid back to its farmer-owners in cash, the rest is re-invested.

Another way co-ops are financed is on a "per-unit retain" basis, whereby farmers contribute a certain amount of money for each unit of produce marketed through the organisation – for example a few cents for each carton of citrus juice that is sold by the co-operative – to fund its administration.

Farmers' difficulties over the past ten years have seen the number of agricultural co-operatives in a long-term decline as more farm families have faced foreclosure. But consolidations have resulted in the remaining co-ops growing, in terms of membership and in volume of business handled.

The lean years have also forced the co-operatives to improve operating efficiency. "The difficult period for agriculture has resulted in a substantial amount of change in the way agricultural co-ops conduct their business," says Mr Bill Madison at Farmland Industries. "There has been more attention given to credit policy and to profitability in the services provided to farmers."

The Panhandle Co-operative Association in Scott's Bluff, Nebraska, is one co-op that faced some deep cuts as a result of the agricultural slump. Panhandle is a small co-op with annual sales of $36m that has also diversified out of farming into video stores and local restaurants.

"It has been very difficult for us financially," says Mr Don Weisman, the general manager. "The worst was from 1984 through 1987 . . . we had to stop services like on-farm calls and lay off professional people in our agronomy and chemical areas."

After benefitting last year from managing a lush oasis in the agricultural drought, Mr Weisman is looking at expanding again in order to gain market share in what is a declining market.

Panhandle provides marketing for cattle farmers in its region as well as for sugar beet and pinto bean growers. The co-operative is helping to sponsor diversification projects by local farmers, who are moving into growing sunflower seeds and setting up catfish farming operations among others.

Looking into diversification is a trend common among the smaller co-operatives, according to Mr Ingalsbe.

Many local co-ops have also joined together in partnerships and joint ventures to help strengthen them. They have emerged from the difficult period in US agriculture with a changed debt structure – much of their long-term debt having been refinanced.

Mr Ingalsbe sees the co-operative movement becoming a lot stronger as it consolidates its market share and it becomes harder for farmers to go it alone.

EC fruit regime comes under fire

By Tim Dickson in Brussels

SHARP CRITICISMS of the management and control of the European Community's regime for supporting fruit and vegetable producers are contained in a report published yesterday by the Court of Auditors, the EC's main financial watchdog. In particular, it highlights the way in which large quantities of food are needlessly destroyed.

Support measures for the sector – which include compensation for growers who withdraw their products from the market, processing aid for certain fresh fruit and vegetables, and intervention purchases and storage of dried grapes and figs – cost the EC budget an average of more than Ecu 1bn (£650m) a year between 1982 and 1987.

The Court examined control systems operated in France, Italy, Greece and the Netherlands for various products – though most of the costs are incurred in Italy and on citrus fruit – and concluded that:

- Administrative provisions governing withdrawals of fresh produce – modelled on the more highly organised Dutch system – are ill adapted to the marketing structures which exist in southern member states.
- There is no adequate incentive to seek useful outlets for produce withdrawn from the market with the consequence that destruction has continued to increase in recent years.
- Structural measures to re-direct citrus production into more profitable lines have been ineffective.
- Only minimal control provisions are prescribed at Community level, and producer organisations (some of which are not properly constituted) have far too much discretion in committing EC funds by opening withdrawals.
- Physical controls on processing are inadequate and the risk of fraud and irregularity remains high.

"The findings of the report are of considerable significance, not least in view of the expected increase in withdrawal and processing operations in Spain and Portugal over the next few years and hence the growth in Community expenditure," the authors conclude.

"The system has proved not to be able to cope with serious imbalances between production and demand, it channels better quality produce for animal feed and for destruction, while reserving a lower quality for processing."

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA prices continued upwards yesterday. Dealers said the market lacked any significant physical news to explain the upturn which seemed to be chart-inspired. Resistance at the £800 a tonne level for the September contract was touched, but not breached, on the close. The market was still awaiting further clarification of rumours that Philipp Brothers of the US may be seeking to buy a mixture of Ivorian current and new crop cocoa totalling between 600,000 and 800,000 tonnes. Coffee prices edged ahead. Dealers said that with an uncovered position of less than 800 lots on the spot month of May there were more than sufficient supplies available to meet demand. Sentiment remains reasonably constructive in the short term, with no major decline likely while there is still the possibility of a new international coffee agreement and frosts in Brazil.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.32-5.42v	+.445
Brent Blend	$18.15-8.30q	+0.50
W.T.I. (1 pm est)	$19.64-9.69v	+0.56
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$238-241	
Gas Oil	$147-148	+2.5
Heavy Fuel Oil	$90-92	+4.5
Naphtha	$179-181	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.0	-1.5
Silver (per troy oz)♣	530c	+4
Platinum (per troy oz)	$484.0	-13.5
Palladium (per troy oz)	$145.25	-4.65
Aluminium (free market)	$2055	-35
Copper (US Producer)	117⅝-119c	-6
Lead (US Producer)	38.5c	
Nickel (free market)	565c	-5
Tin (European free market)	$10122.5	-117.5
Tin (Kuala Lumpur market)	27.30r	
Tin (New York)	465.60c	-4.25
Zinc (US Prime Western)	85⅜c	
Cattle (live weight)†	116.38p	-2.02*
Sheep (dead weight)†	220.17p	-49.81*
Pigs (live weight)†	81.68p	-4.16*
London daily sugar (raw)	$287.4u	-8.2
London daily sugar (white)	$350.6u	-5.0
Tate and Lyle export price	£295.0	-2.5
Barley (English feed)	£104.5w	+0.5
Maize (US No. 3 yellow)	£132.5	
Wheat (US Dark Northern)	£129.25u	
Rubber (spot)♥	55.00p	
Rubber (Jun)♥	62.50p	-0.25
Rubber (Jul)♥	62.50p	-0.25
Rubber (KL RSS No 1 Jun)	261.0m	-3.5
Coconut oil (Philippines)§	$590u	
Palm Oil (Malaysian)§	$415	-5
Copra (Philippines)§	$370	
Soyabeans (US)	£198	
Cotton "A" index	77.60c	-0.05
Wooltops (64s Super)	610p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. q-Jun. x-Jun/Sep. w-Aug. z-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
May	766	751	765	758
Jul	779	763	779	766
Sep	800	778	800	781
Dec	844	823	844	827
Mar	835	818	834	817
May	835	819	830	817
Jul	845	829	846	830

Turnover:7974 (5800) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 23 974.76 (977.90) :10 day average for May 24 939.07 (934.24)

COFFEE £/tonne

	Close	Previous	High/Low	
May	1210	1187	1200	1186
Jly	1200	1185	1205	1188
Sep	1164	1165	1169	1158
Nov	1142	1145	1151	1135
Jan	1143	1135	1146	1125
Mar	1150	1141	1143	1140
May	1145	1141	1143	

Turnover:4129 (7539) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 23: Comp. daily 116.83 (118.37) . 15 day average 116.02 (115.82)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	249.40	258.00	257.40	247.40
Oct	248.40	256.80	255.00	247.00
Dec	248.00	254.80	252.00	
Mar	242.00	247.80	247.40	241.60
May	240.80	247.40	248.60	245.00
White	**Close**	**Previous**	**High/Low**	
Aug	337.00	344.00	345.00	336.00
Oct	318.00	325.50	327.00	317.00
Dec	314.00	320.00	318.00	
Mar	299.00	307.00	306.00	303.50
May	299.00	305.00	303.00	301.50

Turnover: Raw 6244 (3616) lots of 50 tonnes. White 1523 (1609) .
Paris- White (FFr per tonne): Aug 2355 Oct 2222, Dec 2157, Mar 2086, May 2077 Aug 2070.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Jul	17.45	17.17	17.48	17.24
Aug	17.00	15.76	17.00	16.80
IPE Index	17.10	16.76		

Turnover: 4933 (4941)

GAS OIL $/tonne

	Close	Previous	High/Low	
Jun	144.25	140.75	144.75	141.50
Jul	142.50	138.75	142.75	139.50
Aug	142.50	139.00	142.50	140.00
Sep	144.00	139.50	141.50	141.00
Oct	146.50	141.00	142.50	
Nov	149.00	141.50		
Dec	147.50	142.00	146.00	

Turnover 5209 (6239)lots of 100 tonnes

WOOL

The Australian wool market looked a fraction firmer when sales opened this week. More important certainly in the UK was the currency situation which led to a rise of another 1% in bank rates. While a lower sterling rate against the US dollar has some beneficial effects for exporters and in causing higher prices for imported textiles, the financial pressures involved in an interest rate rise make buyers even more reluctant all-round. There are occasional reports of redundancies in the afflicted firms and sectors and rumours of many more. Top prices are 610p per kg. for 64s super and 425p per kg. for 58s average.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 23,375 tonne
Cash	2060-70	2055-65	2070/2055	2050-5		
3 months	1970-5	1965-70	1990/1960	1963-8	1965-70	34,858 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,476 tonne
Cash	1608-11	1617-8	1615/1585	1610-1		
3 months	1626-7	1627-8	1640/1605	1629-30	1622-3	73,649 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	511-4	518-21		511-3		
30 June	517-20	524-7		517-8		274 lots
Lead (£ per tonne)						Ring turnover 9,175 tonne
Cash	411-3	405-7		412-4		
3 months	399-9.5	396-8	405/399	399.5-400	400-1	10,433 lots
Nickel ($ per tonne)						Ring turnover 1,350 tonne
Cash	12400-500	12400-500		12250-350		
3 months	12100-50	12100-200	12100/11700	11925-75	12100-50	7,658 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,350 tonne
Cash	1740-50	1750-60	1785	1780-5		
3 months	1635-40	1635-45	1650/1640	1650-5	1635-40	11,237 lots
Zinc ($ per tonne)						Ring turnover 10,175 tonne
Cash	1610-20	1610-20	1620	1615-20		
3 months	1560-5	1560-5	1580/1555	1572-5	1555-7	10,606 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	101.0	97.0	100.0	98.0
Feb	114.0	110.0	110.0	
Apr	183.7	177.4	184.8	179.0
May	196.5	191.0	197.0	195.0

Turnover 646 (342) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Jun	154.50	150.50	152.00	151.50
Aug	149.80	146.50	148.00	
Oct	149.50	145.00	148.00	147.50

Turnover 281 (266)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
May	1680	1678	1690	1675
Jun	1474	1511	1525	1474
Jul	1385	1402	1408	1385
Oct	1461	1480	1485	1460
Jan	1490	1513	1500	1485
Apr	1520	1535	1525	1515
BFI	1712	1722		

Turnover 497 (399)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jun	113.25	114.00	113.30	112.00
Sep	105.05	104.45		
Nov	107.20	106.50	107.10	106.50
Jan	109.65	109.60	109.65	
Mar	113.30	112.60		
Barley	**Close**	**Previous**	**High/Low**	
Sep	103.20	102.65	103.20	103.00
Nov	106.10	105.60		
Jan	109.00	108.50	108.90	108.50
Mar	111.85	111.35		
May	113.35	112.95	113.35	

Turnover: Wheat 146 (270), Barley 112 (65).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	110.5	110.5	
Aug	109.0	109.0	
Oct	112.0	112.0	
Nov	113.5	113.5	112.5

Turnover 60 (88) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	362¾-363¼	231-231½
Opening	362¾-363¼	232-232½
Morning fix	362.5	231.113
Afternoon fix	361.5	230.161
Day's high	363-363½	
Day's low	361½-362	

Coins	$ price	£ equivalent
Mapleleaf	374-379	238-241
Britannia	374-379	238-241
US Eagle	374-379	238-241
Angel	371-376	236½-239¼
Krugerrand	362-365	230½-232½
New Sov.	85½-86½	54½-55¼
Old Sov.	85½-86½	54½-55¼
Noble Plat	486.15-493.95	309.65-314.6

Silver fix	p/fine oz	US cts equiv
Spot	328.35	516.85
3 months	340.05	529.65
6 months	351.70	542.35
12 months	374.35	567.55

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1850	223	192	21	60
1950	151	108	47	103
2050	94	68	89	161
Copper (Grade A)	**Calls**		**Puts**	
2500	103	138	73	114
2600	58	95	128	168
2700	30	63	198	233

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1150	70	85	20	73
1200	41	63	41	101
1250	30	46	80	134
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
700	79	104	1	4
750	37	64	9	14
800	11	34	33	34

US MARKETS

IN THE METALS, gold silver and platinum prices swayed around the unchanged level for most of the day as consolidation continues after Mondays record lows, reports Drexel Burnham Lambert. Copper futures were lower on some carryover fund selling. The grains had commercial buying in the wheat futures as prices gained 3¾ basis July. The corn and soy complex was down on late day selling by commercials and local traders. In the softs, prices fell in all markets. Arbitrage and commission house selling weakened the cocoa. Sugar continued its recent downtrend as prices fell 34 basis july on commission house and local activity. Trade selling pushed the coffee market lower. The energy complex was again higher as its recent bull market continues. July crude oil closed well above the 19 dollar level. The livestocks were all lower led by a heavy sell-off in the pork bellies. A weak cash market prompted local and professional selling electing stop orders. Hog prices slipped as a result of increased runs. An expected decline in retail interest weakened cattle futures.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	364.6	363.8	0	0
Jun	364.7	364.3	365.5	363.5
Jul	366.3	365.9	0	0
Aug	367.4	367.2	368.3	366.4
Oct	371.1	370.6	371.5	370.0
Dec	374.8	374.4	375.5	373.7
Feb	378.5	378.0	379.0	377.7
Apr	382.4	381.8	0	0
Jun	386.3	385.7	387.5	385.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	488.9	489.2	493.5	477.6
Oct	488.7	489.5	493.0	479.0
Jan	491.7	491.2	495.0	483.5
Apr	495.2	494.5	495.0	491.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	517.8	517.3	517.5	517.0
Jun	518.1	518.1	0	0
Jul	523.2	523.2	524.5	518.5
Sep	532.2	532.2	534.0	528.0
Dec	544.7	544.7	546.0	539.5
Jan	548.6	548.6	0	0
Mar	557.1	557.1	558.0	554.0
May	565.8	565.7	0	0
Jul	574.7	574.5	576.0	574.0
Sep	583.7	583.6	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 23	May 22	mnth ago	yr ago
2011.7	2022.3	2028.7	1800.6

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	134.08	134.20	137.81	134.18
Futures	132.77	132.97	139.27	135.81

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	108.60	109.30	110.70	108.60
Jun	109.30	110.00	0	0
Jul	110.00	110.60	111.80	109.60
Sep	109.20	109.80	110.50	109.00
Dec	109.10	109.60	110.25	108.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	19.70	19.04	19.79	19.25
Aug	18.75	18.76	18.80	18.32
Sep	18.30	17.71	18.32	17.82
Oct	17.96	17.46	18.00	17.62
Nov	17.80	17.28	17.83	17.37
Dec	17.69	17.13	17.63	17.26
Jan	17.35	16.98	17.10	17.10

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	4990	4780	5010	4785
Aug	4804	4604	4804	4640
Sep	4874	4674	4874	4740
Oct	4944	4744	4944	4790
Nov	5014	4814	5014	4860

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1266	1247	1258	1216
Sep	1221	1212	1223	1198
Dec	1228	1217	1230	1205
Mar	1228	1211	1230	1197
May	1223	1208	1225	1194
Sep	1268	1241	1230	1227

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	132.30	134.61	135.10	132.25
Sep	126.78	128.75	129.10	126.75
Dec	123.00	124.60	125.40	122.99
Mar	122.23	123.50	123.75	122.10
May	122.75	122.88	122.75	122.60
Jul	120.75	121.73	0	0
Sep	118.73	119.71	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	11.20	11.54	11.48	11.19
Oct	11.05	11.46	11.41	11.05
Jan	11.00	11.20	11.35	11.00
Mar	10.86	11.16	11.10	10.87
May	10.91	11.15	11.08	10.90
Jul	10.87	11.15	0	0
Oct	10.76	11.02	11.00	10.92

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.30	67.10	67.75	66.66
Oct	68.45	68.05	68.90	67.80
Dec	68.80	68.42	69.28	68.25
Mar	69.45	68.93	69.80	68.90
May	69.55	69.33	69.75	69.10
Jul	69.65	69.30	69.88	69.35
Oct	68.80	68.78	68.90	68.80

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	183.35	183.00	186.00	180.25
Sep	178.40	178.50	180.90	176.50
Nov	167.50	168.75	169.50	167.50
Jan	164.10	164.60	164.50	163.50
Mar	163.35	163.55	164.00	163.25
May	162.80	162.95	0	0
Jul	162.80	162.95	0	0
Sep	162.80	162.95	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	697/2	699/4	707/0	688/6
Aug	685/0	687/0	692/0	675/0
Sep	668/4	665/0	668/4	649/0
Nov	647/4	654/4	658/0	639/0
Jan	658/4	662/6	666/4	651/0
Mar	665/4	673/0	674/0	663/0
May	671/4	678/0	678/4	671/0
Jul	671/4	679/4	680/0	671/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.86	21.90	22.20	21.65
Aug	21.86	22.12	22.40	21.85
Sep	22.08	22.27	22.60	22.05
Oct	22.20	22.37	22.75	22.15
Dec	22.58	22.68	23.10	22.50
Jan	22.79	22.85	23.15	22.70
Mar	23.15	23.35	23.60	23.00
May	23.25	23.37	23.55	23.25
Jul	23.30	23.37	23.60	23.30
Aug	23.25	23.37	23.20	23.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	206.2	206.1	209.3	203.5
Aug	203.9	203.6	206.5	201.0
Sep	198.7	199.7	200.5	197.0
Oct	192.7	195.2	196.0	192.5
Dec	192.3	194.0	194.2	191.0
Jan	191.7	193.5	194.0	191.0
Mar	191.5	193.2	193.0	190.0
May	190.0	192.0	190.0	190.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	262/0	265/0	268/2	261/2
Sep	245/6	250/4	250/0	245/0
Dec	239/6	245/2	244/4	238/0
Mar	247/0	252/6	251/4	246/0
Jul	250/4	256/2	255/4	250/4
Sep	245/0	247/0	0	245/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	398/6	395/0	399/4	392/2
Sep	405/6	402/2	406/2	399/0
Dec	418/0	414/6	418/4	412/0
Mar	422/4	420/6	423/4	417/4
May	409/0	410/4	411/0	408/4
Jul	378/0	380/4	380/0	375/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	69.97	70.97	70.90	69.50
Aug	66.62	67.17	67.12	66.02
Sep	66.75	67.80	67.30	66.75
Oct	68.95	69.17	69.10	68.20
Dec	70.72	70.82	70.82	69.95
Feb	71.15	71.25	71.15	70.35
Jun	71.00	71.30	71.00	70.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	48.48	48.85	48.57	47.92
Jul	46.95	49.10	48.97	46.45
Aug	46.77	47.07	46.90	46.40
Oct	43.10	43.65	43.85	42.92
Dec	44.90	45.52	45.40	44.75
Feb	46.20	46.65	46.70	46.10
Apr	44.25	44.45	44.25	44.25
Jun	47.47	47.70	47.60	47.45

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	33.10	34.80	33.75	32.80
Aug	33.02	34.45	33.75	32.60
Feb	50.40	51.57	50.75	49.82
Mar	49.90	51.25	50.02	49.60
May	34.32	34.60	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Equities shaken by rise in base rates

THE LONDON stock market suffered a setback but closed above the worst yesterday in the face of the move to 14 per cent base rates and a flood of important corporate developments which included a £486m rights issue from RTZ. The equity sector fell by more than 33 FT-SE points in its initial reaction, but later recovered about one third of its fall.

An unexpected dip of 1.4 per cent in domestic retail sales in April boosted sentiment but still left the market on tenterhooks ahead of this morning's announcement of the latest UK monthly trade figures. Market nerves steadied somewhat when London money market rates closed just below 14 per cent after Mr Nigel Lawson, the UK Chancellor of the Exchequer, said he saw no reason to expect a further rise in base rates.

Account Dealing Dates		
*First Dealings:		
May 8	May 22	Jun 5
Option Declarations:		
May 18	Jun 1	Jun 15
Last Dealings:		
May 19	Jun 2	Jun 16
Account Day:		
May 30	Jun 12	Jun 26

*New time dealings may take place from 9.00 am two business days earlier

The FT-SE Index closed 18.9 down at 2,132.7, having brushed with 2,118 earlier. (Footsie 2,130 is a chart support line.) Since Friday the equity market has shed 72 points, or 3.27 per cent.

In addition to the RTZ funding yesterday, the market grappled with a £513m acquisition of UEI by Carlton Communications and a bid of £427m from Anglo United for Coalite Group. Further, equity strategists warned of the bearish implications of the base rate move.

"In the short term, this must discourage institutional investment," said Mr Bill Smith of Prudential Bache. "It will mean a further downgrading of City forecasts of corporate profits. However, there seems no requirement for institutions to sell stock and the longer term outlook may be more sanguine. We are not changing our forecast of FT-SE 2,250 by the year end".

At BZW, Mr Michael Hughes sounded more cautious: "The momentum of enthusiasm has been dented. The difference between 13 per cent base rates and any higher rate is highly significant; it is the *difference* between a soft and a hard landing for the economy".

Market attention is now fixed on today's disclosure of the April trade figures, with the base rate hike seen by some as an indication of bad *news ahead. City forecasts* had already begun to move towards a monthly deficit figure of £2bn from last week's concensus of around £1.7bn.

"I would hope that a 14 per cent base rate will prove as short lived as last year's 7½ per cent," said Mr Hughes. "But judgement must be reserved until after the trade figures".

The sudden rush of corporate activity, *implying* demands on investors' cash holdings, may restrain equities but will be welcomed by the institutions. There has been a dearth of capital raisings through the market this year, and fund managers have struggled to find stock in a rising equity sector.

FINANCIAL TIMES STOCK INDICES

	May 24	May 23	May 22	May 19	May 18	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.96	86.12	86.42	86.70	86.70	90.26	89.29 (8/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.89	97.33	97.30	97.31	97.03	96.67	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1774.0	1787.4	1803.6	1837.5	1810.1	1430.7	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	168.1	168.6	166.3	168.8	175.0	215.9	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	May 24	May 23	May 22	May 19	May 18	Year Ago
Ord. Di. Yield	4.46	4.41	4.37	4.29	4.37	4.83
Earning Yld %(full)	10.81	10.72	10.63	10.44	10.63	11.92
P/E Ratio(Net)(☆)	11.20	11.25	11.35	11.55	11.35	10.28
SEAQ Bargains(5pm)	28,230	27,096	34,610	43,470	32,161	25,127
Equity Turnover(£m)†	-	*1483.87*	*1547.51*	*2165.12*	*1551.78*	*1271.10*
Equity Bargains†	-	36,018	35,711	47,419	35,333	27,750
Shares Traded (ml)†	-	519.5	554.6	849.5	551.2	488.2

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1770.5	1762.4	1769.0	1768.6	1768.2	1766.3	1769.6	1771.7

DAY'S HIGH 1775.5 DAY'S LOW 1762.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35. Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.10 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	May 23	May 22
Gilt Edged Bargains	108.0	92.2
Equity Bargains	233.4	231.4
Equity Value	2999.3	3127.9
5-Day average		
Gilt Edged Bargains	103.6	103.8
Equity Bargains	240.8	235.5
Equity Value	3270.5	3113.0

● London Report and latest Share Index: Tel. 0898 123001

Market warms to RTZ

The £486m rights call from RTZ may have helped to upset the market yesterday, but it did no significant harm to the shares of the mining and resources group. City analysts came away from the company meeting well pleased, and the shares ended the day only a few pence below the 500p prospective ex-rights price.

At Phillips & Drew, Mr Jack Jones raised his forecast for this year's net earnings by 10 per cent to £550m after talking to the board yesterday. The BP Minerals deal appears even more attractive than expected, said Mr Jones, and the general trading outlook seems good. He added that currency trends have been good for RTZ, and the group's North American operations are performing excellently.

Underwriting for the 120m rights issue shares went ahead comfortably yesterday. The existing registered shares were struck down to 474p on the rights issue news but rallied to close at 493p, a net 18 off. Turnover at 6m shares was moderate.

Surprise bid

Carlton Communications, the fast-growing media and electronics group, surprised the market with a £513m agreed bid for electronics and engineering group UEI. Carlton said it had received irrevocable acceptances of getting on for 40 per cent of UEI shares.

The bid accompanied news of Carlton's near-doubled interim profits of £42.1m and a 25 per cent increase in the interim dividend.

UEI shares soared 136 to 665p on the news, while those of Carlton Communications were initially depressed to around the 794p mark before staging a strong rally to close a net 41 off at 808p; turnover in Carlton settled at 1m shares.

City analysts were enthusiastic about the proposed tie-up between the two groups. Mr Keith Woolcock, electronics analyst at CIBC Grenfell & Colgrave and a strong bull of UEI shares since April, said: "It looks a perfect deal for Carlton who could well dominate the world market in video graphics equipment." The CIBC analyst continued: "Compared with other so-called US growth stocks in the FT-SE 100 Index, such as Racal, Wellcome, Reuters, it looks cheap on a prospective p/e of 12½ times."

Mr Woolcock said he thought it unlikely that Carlton would sell off the Cosworth engineering unit. "It's making money hand over fist and the factory is booked up until 1992 – it's a fantastic brand name."

Amersham upset

Amersham International slipped on the news that the Japanese authorities had instructed the company to suspend sales of one class of its products for 25 days. The price recovered a little before the close to 490p, a fall of 10 on the day.

There were disagreements between dealers on how bad the penalty, for a legal infringement, would be for the company. Mr Ian Moore at UBS Phillips and Drew thought that the effect would be marginal. He said that the division accounted for only 5 per cent of the company's sales and that any fall in Amersham's price "provides opportunities to pick up stock."

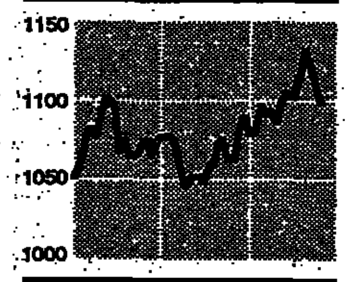
Nomura Research was more cautious, suggesting that the Japanese unit accounted for around 10 per cent of the company's sales. Therefore the penalty would mean a 1 per cent fall in overall sales because on the back of an envelope basis 25 days is about a tenth of a full year.

A third dealer was even more pessimistic. He said that it might take the company as long as three months to regain the sales ground lost because of the suspension.

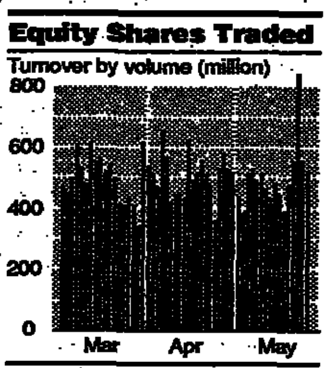
BAT Industries shed 21 on news of a 17 per cent profits improvement in line with expectations. Analysts were baffled by the fall, although there was a report that Warburg Securities had downgraded the company. Mr Mark Duffy, who follows BATs at Warburg, denied the suggestion and reiterated his view that in the longer term the stock was undervalued.

Enterprise Oil rallied from an initial 550p to close a net 6 higher at 560p of turnover of around ¾m ahead of today's agm; sector specialists expect the group to announce the amount it will call in from shareholders – either £110m or £225m to help fund its Texas Eastern assets purchase, currently the subject of a dispute over pre-emption rights.

FT-A All-Share Index



Equity Shares Traded



Ultramar performed well given Tuesday's 52m share placing, dealers said. The shares closed 1½ ahead at 305p on turnover of 4.2m. Lasmo managed a small gain at 457p on 2.4m turnover with interest said to have been generated by hints of possible oil drilling success in the North Sea.

Profit-taking knocked 36 off Glaxo which closed at 1395p. One bullish Japanese brokerage said it was about to start *presenting Glaxo to Japanese* institutions as the best value stock in the UK pharmaceutical sector. It anticipated buying interest to follow.

Wellcome bucked the market trend after a note from BZW said that fears over competition to the company's aids drug, "Retrovir," were unfounded. The shares closed 3 better at 457p in thin trade.

British Airways steadied after the previous day's sharp fall. One dealer ascribed its firmess to buying of out-of-the-money calls in the traded options market and the stock closed unchanged at 200p.

Midland Bank shares moved sharply against the overall market trend, closing 4 higher at 350p after turnover of 8.8m – "much bigger than normal levels," according to one trader. Stories in the market suggested that one securities house had been carrying out a switch from NatWest into Midland while it was also mooted that developments in the Far East could well speed up closer ties between Midland and its near 15 per cent shareholder, Hongkong & Shanghai Bank. There was also talk of a stock shortage in Midland.

NatWest lost 5 to 605p on turnover of almost 3m. Barclays slipped 6 to 461p on 2.3m and Lloyds eased 4 to 364p on less than 1m.

Hints that a takeover bid may be imminent continued to bolster Guinness Mahon, which rose 4 more to 142p. Other merchant banks were helped, *dealers said*, by the sharp increase in corporate activity.

PWS, the insurance broking group, added 4 at 50p, after 53p, following relief with the interim figures.

Hotel stocks stood up well, with analysts predicting a good year for tourism as the weak pound attracts overseas visitors and encourages more British holidaymakers to spend their vacations in the UK. Ladbroke climbed 5½ to 597½p, while Grand Metropolitan added 4 at 549p on a day when its shares opened on the Frankfurt Stock Exchange.

Building issues, and housebuilders in particular, were badly mauled by the interest *rate rise but dealers said there* had been plenty of buying demand at the day's lowest levels. **Anglia Secure Homes** were especially weak and slumped 25 to 245p, after 243p; the group's interim figures are scheduled for June 6.

Vibroplant dipped 6 to 246p, after 244p, "a creditable performance considering the rest of the market," said one marketmaker, as the group revealed an £11.7m rights issue along with the 48 per cent profits jump.

Coalite Group, the chemicals to coal and fuel distribution group, moved up strongly late in the day to close 15 higher at 439p, having barely stirred immediately following news of the £427m bid from Anglo United. The latter's shares lost 3¼ to 47½p.

Speculation in the market was that a counter to the Anglo bid could well materialise. Coalite rejected the Anglo move. Anglo already holds a 2.26 per cent stake in Coalite. "Coalite looks to be a perfect break-up situation," was the comment from one analyst.

Storehouse put in the best performance in a surprisingly resilient Stores sector, climbing against the trend to finish 2 higher at 178p on turnover of 5m shares. Demand for the traded options provided the initial stimulus, and there is a growing feeling in the market that a bid for the group is imminent, possibly after the company reveals its final profits on June 1. Mr Asher Edelman, the US arbitrageur, has nearly 8 per cent of Storehouse, and has been trying to put together a consortium bid for several months.

Ratners also swam against the tide, closing 2 firmer at 228p after it was announced that that Gordons, the US jewellery chain, has been bought by its largest American competitor, Zales.

STC continued their outperformance of the electronics sectorwith the market picking up the scent of what dealers described as a big contract in the offing over the next week or so; STC shares moved up to 369p at their best yesterday *before backtracking to close a* net 8½ higher at 365p.

There was said to have been keen interest in Logica, the software group, which ended the session 17 off at 349p on market suggestions of further profits downgradings.

Unitech slumped to 324p in mid-session, mirroring the overall market gloom, but picked up on the appearance of further buying demand from Continental sources – "most likely from Switzerland," said one dealer. A 6.4 per cent holding has been built up in Unitech over the past few months by Swiss arbitrageur Doctor Tettamanti and his associates.

IEP Securities, a vehicle run by Sir Ron Brierley, sold 1m *shares in Vickers, cutting its* stake to just over 22m shares, or 8.67 per cent. Vickers closed 6 off at 210, 2 above the worst of the day. "Sir Ron's jobbing again," said a marketmaker, of the New Zealand entrepreneur's tactic of selling at the top end of a narrow trading range.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	5,700	168	-2½	Cookson	793	334½		Laporte	309	452	-4	Royal Bk of Scotland	68	384	-3
Allied-Lyons	2,300	442	+3	Courtaulds	3,700	336	+5½	Legal & General	766	312	-4	Royal Insurance	2,000	403	
Amstrad	4,000	181	-1	Dalgety	713	368	-2	Lloyds Bank	839	346	-4	STC	3,200	365	+8½
Argyll Group	1,100	199	-4	Dixons	3,600	145	-3	LASMO	2,400	457	+2	Saatchi & Saatchi	3,100	327	+8
Ass. Brit. Foods	935	350	-2	Eng China Clays	599	484	-2	Lonrho	1,100	275	-4	Sainsbury	1,100	238	-2
BAA	1,700	343	+1	Enterprise Oil	765	560	+6	Lucas	649	630	+3	Scott & Newcastle	684	305	
BAT Inds.	3,100	545	-17	FKI Babcock	166	163	-2	MB Group	442	304	+2	Sears	1,600	117	-½
BET	1,300	273	-8	Fisons	1,700	297	-4	MEPC	353	586	-3	Shell Transport	1,500	399½	-4
BICC	791	506	-10	Gateway Corp.	7,200	196½	-3½	Marks & Spencer	4,400	163½	-1½	Siebe	521	498	-7
BOC	982	486	-8	General Accident	599	965	-8	Maxwell Comm.	200	196	-1	Slough Ests	160	311	-5
BPB Inds.	2,400	236	+3	General Elect.	2,600	240	-4	Midland Bank	8,095	350	+4	Smith & Nephew	2,600	134½	-1
BTR	4,300	379	-7	Glaxo	1,500	1395	-36	Nat. West. Bank	2,900	605	-5	Smiths Industries	334	312	-4
Barclays	2,300	461	-6	Globe Inv.	371	176½		Next	2,700	148		Standard Chartered	948	533	-5
Bass	498	953	-3	Glynwed Int.	805	305	-6	Northern Foods	102	305	-4	Storehouse	5,000	178	+2
Beecham	1,100	634	-6	Granada	539	346	-1	Pearl	550	400	-5	Sun Alliance	196	1113	-6
Blue Circle	908	583	-5	Grand Met.	2,700	549	+4	Pearson	382	716	-4	T&N	182	222	-2
Boots	929	293	-4	GUS A	373	1040	-3	P & O	618	673	-10	TSB	2,200	105	-1½
Brit. & Comm.	408	198	-1	GRE	694	208	-3	Pilkington	945	242	-2½	Tarmac	3,500	334	-7
Brit. Aerospace	1,200	645	-2	GKN	605	391	-6	Plessey	575	266	-1	Tate & Lyle	1,800	255	-3
British Airways	1,800	200		Guinness	701	479	-2	Polly Peck Intl.	990	291	-7	Taylor Woodrow	565	638	-16
British Gas	2,700	179	-½	Hammerson 'A'	31	786	-8	Prudential	1,900	176	-4	Tesco	1,500	174	-2
British Land	218	366	-3	Hanson	5,900	199	-½	RHM	840	445	-9½	THORN EMI	1,500	700	
BP	3,400	286	+½	Harrisons & Cros.	1,200	175	-3	RMC	969	773		Trafalgar House	2,700	385	+2
British Steel	9,200	89½	-½	Hawker Siddeley	842	712	-6	RTZ	5,500	493	-18	Trusthouse Forte	5,000	306	-2
British Telecom	7,900	270½	-3½	Hillsdown Hldgs	7,000	263	-16	Racal	6,300	480	-3	Ultramar	4,200	305	+1½
Burmah Oil	204	591	-1	IMI	1,700	236	-3	Rank Org.	422	979	+5	Unilever	1,800	549	-1
Burton	3,800	225	-7	Imp. Chem.	1,890	1281	+2	Reckitt & Colman	315	1160	-19	United Biscuits	1,500	329	-10½
Cable & Wireless	5,500	544	-5	Inchcape	1,780	279	+3	Redland	1,500	595	-5	Utd. Newspapers	575	431	-2
Cadbury Schweppes	2,600	351	-10	Jaguar	680	319	+2	Reed International	1,100	389	-5	Wellcome	274	457	+3
Carlton Comms.	1,000	808	-41	Kingfisher	1,700	298	-4	Reuters	815	800	-14	Whitbread 'A'	504	345	+1
Commercial Union	897	375	-1½	Ladbroke	1,300	597½	+5½	Rolls Royce	2,800	188	-3½	Williams Hldgs.	2,400	260	-5
Cons. Gold Fields	889	1224	+7	Land Securities	1,300	580	-2	Rothmans	319	532	-1	Wimpey	877	277	-4

Interest in environmental stocks continued to help TACE. It added 5 at 293p.

Lucas Industries, recovered early falls after it announced its its rail products division was in joint venture talks with a SAB of Sweden. It closed up 3 at 630p.

There was some surprise in the market that **Hillsdown**, and not **Dalgety**, had won the race to buy Premier Brands, the private foods group created by a management buy-out from *Cadbury-Schweppes in 1986.* Consequently Hillsdown shares fell sharply to 257p, before recovering to show a net fall of 13 at 266p on busy turnover of 7m, while Dalgety shed just 2 to 368p. Hillsdown was said to have beaten Dalgety, BSN of France, and Switzerland's Nestlé to win control of Premier.

Mr Carl Short of Kitcat & Aitken welcomed the deal on two counts. One, it means Hillsdown will once again be more of a genuine foods company; roughly 60 per cent of group profits will come from foods once Premier is fully digested. And two, the £110m cash raised yesterday by Hillsdown – Hoare Govett and Warburg Securities placed 46m new shares at 255p – will be used to pay off all of Premier's debts, and thus reduce Hills*down's total gearing.*

Eurotunnel continued its remorseless advance, ploughing through the £10 barrier to close at a new high of 1016p, up 29 on the day.

Although **Courtaulds**, the chemicals, textiles and industrial products group, reported a 10.6 per cent drop in annual profits to £197.1m, the City was relieved that the figures were not worse, and the shares climbed against the market to end 5½ higher at 336p on turnover of 3.7m.

Land Securities helped the Property sector outperform the market. The UK's largest property investment and development group unveiled annual profits of £149.4m and a revised net asset value of 855p, both near the top end of analyst's forecasts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

NEW HIGHS AND LOWS FOR 1989

NEW LOWS (132).

BRITISH FUNDS (44) LOANS (2) FOREIGN BONDS (1) AMERICANS (3) CANADIANS (4) BANKS (2) Bank Scot. 8¼pc Irred. Pf., Gerrard & National, Hambros, TSB, **BREWERS (1)** Wolv. & Dudley, **BUILDINGS (11)** Anglia Sec., Bellwinch, Bryant Grp., Countryside Props., Erith, Fairbriar, Federated Housing, Ibstock Johnsen, McCarthy & Stone, Prowting, Sharpe & Fisher, **STORES (5) ELECTRICALS (9)** Acorn Cmptr., Alba, Bennett & Fountain, Cambridge Elec., Crystalate, Nasco Invs., Nth. Telecom B, Radius, Real Time Cont., **ENGINEERING (1)** Whessoe, **FOODS (2) INDUSTRIALS (15)** Aaronson Bros., Beeswood, Betacom, Cannon St Invs., Dolphin Pack, Halls Homes & Gdns., Kleen-E-Ze Hldgs., MY Hldgs., Mainmet Hldgs., Metal Closures, Pergammon, Relyon, Spectrum, Suter, Walker Greenbank, Wood (Arthur), **LEISURE (1) PAPERS (1)** Goodhead Grp., **PROPERTY (8) SHIPPING (1) SOUTH AFRICANS (2) TEXTILES (3) TRUSTS (7) OILS (2) MINES (4).**

NEW HIGHS (112).

LOANS (1) AMERICANS (36) CANADIANS (2) BANKS (2) BREWERS (1) Macdonald Martin "A", **BUILDINGS (3)** Blockleys, *Douglas (Robt. M.)*, Needler Grp., **CHEMICALS (6) STORES (2)** Asprey, Mallett, **ELECTRICALS (8)** ASEA AB "A", Blick, First Tech., Goring Kerr, Hoskyns Grp., Misys, Motorola, Security Tag Systems, UEI, **ENGINEERING (3)** Chamberlain & Hill, Habit Precision, TACE, **FOODS (1) INDUSTRIALS (12)** Alfa-Laval, Baxter Intl. Inc., Bridgend Grp., Bullers, Dover Corp, Eurotunnel Units, Do. Wrrnts., Fitzwilton, Oy Wartsila AB, Smithkline Beckman, WSP Hldgs., Wyko Grp., **INSURANCE (6) MOTORS (1)** Gates, **NEWSPAPERS (2) PAPERS (3) PROPERTY (2)** Int. Inc. Ppty., Rowlinson, **SHIPPING (1) TRUSTS (6) OILS (6) OVERSEAS TRADERS (2) MINES (5) THIRD MARKET (2)** Ivernia West, Kemp (P.E.).

APPOINTMENTS

Linklaters finance director

■ LINKLATERS & PAINES has appointed **Mr Robin Landon** as director of finance with partner status, a new post. He joins from Target Group (a TSB Group subsidiary) where he was group finance director. Previously he was group chief accountant at Standard Chartered Bank.

■ From June 1, **Mr John Stone**, managing director of TARGET GROUP, is promoted to deputy chairman, and his deputy, **Mr Paul Taylor**, becomes managing director.

■ **Mr Leslie Simmens** has been *appointed a non-executive* director of LOPEX. He recently retired as chairman and chief executive of Mars Petfoods. **Mr Walter van der Mee** becomes a director. He is chief executive of the Overad Group, the largest Lopex overseas investment *operating* in the Netherlands and Belgium.

■ **Mr David Rance** has been appointed worldwide marketing director of PONT INTERNATIONAL and general manager for the European division of its subsidiary *Pont* Data.

■ JOHN J. LEES, Scottish food manufacturer, has appointed **Mr Brian Hunter** as group managing director. He was sales director of Barker & Dobson.

■ **Mr David Morphet** has been *appointed director of planning* and development at BALFOUR BEATTY, part of BICC, and joins the executive board on May 26. He was an under secretary with the Department of Energy, and is a non-executive director of BICC Cables.

■ **Mr Peter Best** has been promoted to finance director of LINK 51 GROUP, part of Wagon Industrial Holdings. He is succeeded as group financial controller by **Mr Malcolm Rudge**, who was with the Delta Group.

■ **Mr Stephen Aulsebrook** has joined BANKERS TRUST COMPANY as a managing director, mergers and acquisitions. He was a director of Hill Samuel Bank.

■ THORN EMI has appointed **Mr Don MacKechnie** as managing director of Rumbelows. He was Thorn EMI director, planning and analysis. He succeeds **Mr Ian Gray**, who will concentrate on development of the rest of Thorn EMI's UK rental and consumer financial service interests.

■ **Mr Henry Clayton** has retired as *joint* managing director of ALEXANDERS HOLDINGS, and has been appointed to the new post of president. **Mr Colin Stevenson** becomes joint managing director with **Mr David Mitchelmore.**

■ ISOCOM, Hartlepool, maker of military optocouplers, has appointed **Mr Philip Waggott** as sales and marketing director. He was managing director of Norbain Technology.

■ UNITED PRECISION INDUSTRIES has appointed **Mr Peter Adkins** as general *managing director of RHP* Precision - he was general manager; and **Mr John Bishop** as managing director of RHP Aerospace.

■ **Mr David Barnes** has been appointed finance director of BLETCHLEY MOTOR GROUP, succeeding **Mr Charles Cameron**. Mr Barnes was finance director of Guy Salmon.

Dalgety forms new baking group

■ DALGETY FOOD INGREDIENTS GROUP, part of Dalgety, has formed a *baking ingredients group* covering SPP, and the James Fleming Group which incorporates the recently acquired J.W. Dales of Hull.

Mr Malcolm Brown has been appointed chief executive of the new group. He was chief executive of Federal Bakeries, and will retain responsibility for Associated Family Bakers (Shropshire and Border Counties) which recently became a wholly-owned Dalgety subsidiary. The group's production director will be **Mr Dick Goodwin**, *production director of Spillers* Milling. In Federal Bakeries **Mr Bill Underwood**, a director of the Family Loaf Bakery, Avonmouth, is appointed senior Federal Bakeries director for this company. **Mr Geoffrey Martin**, general manager, Spillers Milling's Tilbury Mill, additionally becomes senior director on the boards of Associated Family Bakers (Surrey) and Associated Family Bakers (Home Counties).

■ **Mr Keith Lawson** has been appointed design director of BUSINESS DESIGN GROUP. He was with Building Design Partnership.

■ **Dr Ian Stewart** has been appointed chairman and managing director of RORER HEALTH CARE, Eastbourne. He was managing director of A.H. Robins.

■ **Mr Paul Hodges**, financial director, has been appointed deputy managing director of FORMDESIGN, Dudley, and **Mr Bill Smith** and **Mr Geoff Kempton** become associate directors.

■ **Mr Hugh Carroll** has been appointed *London* representative of ALAHLI BANK OF KUWAIT, succeeding **Mr Radwan Jamal** who is returning to head office.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	53.52	54.40	57.88	-0.11	4.73
Gilts & Fixed Int	6	111.5	111.5	119.3	-0.4	8.45
High Inc Equity	6	132.0	134.7	143.4	-1.9	4.43
Worldwide Bond	6	197.5	197.5	209.3	+1.7	4.63
Capital Growth						
American Growth	6	184.7	186.7	198.7	-0.2	1.25
Asian Pacific	6	103.1	105.00	111.8	-0.2	0.63
Assets & Earnings	6	158.8	158.8	169.9	-2.2	1.53
Capital Reserve Acc	0	84.94	84.94	85.07	-0.04	4.70
Comdty & Energy	6	99.07	99.07	106.0	-1.1	0.99
1992 Enterprise	6	57.27	58.41	62.14	-0.83	2.90
European Capital	6	82.53	82.53	88.27	+0.05	0.85
General	6	174.2	174.2	186.4	-3.1	2.41
Japan	6	109.0	110.7	117.8	+0.3	0.00
Mastertrust	6	85.01	85.01	90.92	-0.49	1.57
UK Growth Acc	6	202.0	202.0	216.1	-1.7	1.04
UK Growth Dist	6	134.7	134.7	144.1	-1.2	1.56
US Emerging Cos	6	56.97	56.67	60.29	+0.10	0.00
Income & Growth	6	289.5	289.5	309.7	-4.8	3.31
Ethical	6	49.13	50.31	53.53	-0.69	2.34

Abtrust Management Ltd (1000)H
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5	30.84	30.84xd	32.93	-0.07	3.49
European	5¼	61.08	61.16	65.29	-0.40	0.00
European Income	5¼	60.36	60.36xd	64.44	+0.05	3.34
Exempt	5¼	799.5	799.5	834.4	-7.20	2.32
Extra Income	5	42.72	42.72	45.60	-0.57	5.05
F East Emerg Econ	5¼	45.44	46.06	49.33	-0.02	0.90
Fund Inv Tst	5	122.2	122.2xd	130.4	-1.00	2.56
Do Accum	5	190.3	190.3	203.1	-1.50	2.57
Gilt & Fixed Int	5¼	22.01	22.01	23.50	+0.08	10.16
Income & Growth	5¼	72.19	72.19xd	77.06	-1.03	4.35
Intl Income	5¼	62.95	62.85xd	67.09	-0.40	5.38
Japan	5¼	184.6	184.6	197.1	-0.90	0.00
Pacific	5¼	350.6	354.4xd	379.6	-0.30	0.87
Secure Income	5	195.5	195.5xd	208.7	-2.70	6.32

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	54.19	55.08	58.91	-0.09	2.70
Global Tst	5½	43.20	43.71	46.75	-0.10	2.30
Recovery Tst	5½	53.19	55.34	58.87	-0.17	1.92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn, SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	106.8	108.2xd	114.1	-1.7	3.30

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	61.32	61.32	65.23	+0.29	0.50
CS International	5	55.97	55.97xd	59.54	+0.36	1.81
CS Japan	5	123.6	123.6	131.4	+0.5	0.33
CS Portfolio Inv	5	71.98	71.98xd	76.57	-0.34	1.65

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar, Herts 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	139.8	144.8	152.4	-2.10	3.04
Do Gen Accum	5	233.2	241.6	254.3	-3.50	3.04
Do Income Dist	5	93.80	97.59xd	102.7	-1.10	5.48
Do Inc Accum	5	214.9	223.6	235.3	-2.60	5.48
Gilt & Fxd Int	5	36.27	36.34	38.25	-0.20	8.39

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876. Dealing: 0800 282621

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5¾	38.60	38.60	41.28	-0.46	2.46
Income	5¾	48.54	48.54	51.91	-0.41	3.96
Far East	5¾	37.62	38.11xd	40.76	-0.05	0.05
North American	5¾	35.24	35.61xd	38.09	+0.36	1.89
Global	5¾	52.18	53.09	56.48	+0.37	1.74
European	5¾	50.46	50.91	54.45	+0.00	0.99
Japan	5¾	104.5	106.4	113.2	-0.30	0.01
Intl Currency Bd	5¾	42.59	42.59xd	45.23	+0.00	6.63
Strategic Opps	5¾	54.48	54.48xd	58.26	-0.22	1.25

Capability Trust Mngrs Ltd (1200)F
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American & Gen	5	77.01	77.01	81.93	-0.35	1.49
(Accum Units)	5	80.41	80.41	85.54	-1.36	1.49
European Inc	5	52.64	52.64	56.00	+0.36	0.69
(Accum Units)	5	53.30	53.3	56.70	+0.36	0.69
Far East & Gen	5	65.48	65.48	69.66	+0.13	0
(Accum Units)	5	65.48	65.48	69.66	+0.13	0
Glenfriars	5	264.0	269.3	286.05	-0.8	1.86
(Accum Units)	5	273.6	279.1	296.9	-0.9	1.86

Merlin Jupiter Unit Tst Mgmt Ltd (0905)F
197 Knightsbridge, London SW7 1RB 01-581 3020

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Merlin Intl	5	58.15	59.52	62.65	(z)	1.88
Ecology	5	59.48	61.06	64.27	(z)	1.76

Metropolitan Unit Trust Mngrs Ltd (1000)F
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Eurogrowth Plus	6	56.05	56.05xd	59.63	+0.29	0.80
Global Growth	5¼	44.85	44.85xd	47.71	+0.34	0.52
Global Income Acc	5¼	57.08	57.08	60.72	+0.48	3.29
Do Income	5¼	53.96	53.96	57.40	+0.45	3.48
Sunrise Accum	6	59.10	59.69	63.50	+0.14	0.00
UK Growth Acc	5¼	56.39	56.39	59.99	-0.75	1.67
UK Income Acc	5¼	69.44	71.56	76.13	-0.77	3.94
Do Income	5¼	65.36	67.36	71.66	-0.73	4.19

Midland Unit Trusts Ltd (1200)F
192 Eyre Street, Sheffield, S1 3RD 0742 529888

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
British Tst	6	56.28	56.59	60.52	-0.93	2.29
(Accum Units)	6	57.20	57.51	61.51	-0.94	2.29
Capital	6	120.8	120.8	129.2	-1.4	1.93
(Accum Units)	6	173.0	173.0	185.0	-2.0	1.93
European Growth	6	119.0	119.1xd	126.7	+0.8	0.39
(Accum Units)	6	146.5	146.6	156.0	+1.0	0.39
Extra High Inc	6	70.98	72.01	77.02	-0.5	6.35
(Accum Units)	6	95.83	97.15	103.9	-0.7	6.35
Gilt & Fxd Int	4	51.40	51.40	53.66	-0.18	8.68
(Accum Units)	4	100.6	100.6	105.0	-0.3	8.68
High Yield	6	205.4	207.9xd	222.4	-2.2	4.93
(Accum Units)	6	395.7	400.7	428.6	-4.2	4.93
Income	6	241.1	243.7	260.6	-2.9	3.48
(Accum Units)	6	428.8	433.2	463.3	-5.2	3.48
Intl High St UT	6	54.73	54.74xd	58.55	-0.42	1.62
(Accum Units)	6	56.42	56.42	60.34	-0.45	1.62
Japan Growth	6	382.0	382.0	408.8	+1.7	0.00
(Accum Units)	6	401.5	401.6	429.7	+1.8	0.00
Mandarin Tst	6	59.48	59.50xd	63.64	-0.51	0.74
(Accum Units)	6	59.97	59.99	64.16	-0.52	0.74
Mngd P'folio Acc	6	69.58	70.24	75.12	-0.42	1.65
Money Market UT	4	48.96	48.96xd	50.91	+0.01	10.84
North American	6	121.4	123.3xd	131.9	-1.4	0.40
(Accum Units)	6	150.0	152.2	162.8	-1.8	0.40
Smaller Cos	6	184.4	184.4	197.2	-0.7	1.30
(Accum Units)	6	204.4	204.5	218.7	-0.7	1.30
Meridian Income	6	108.9	109.8	117.4	-0.8	3.66
(Accum Units)	6	111.7	112.6	120.4	-0.8	3.66
Meridian Growth	6	117.0	117.7	125.9	-1.1	1.49
Midland Personal Pension Unit Trust*						
British	6	56.82	57.43	61.10	-0.93	2.29
European Growth	6	54.32	54.38	57.85	+0.39	0.39
Gilt & Fixed	6	49.25	49.27	52.41	-0.37	8.66
Income	6	53.86	54.70	58.19	-0.64	3.54

PK English Trust (Inv Mgt) Ltd (1000)F
4, Fore Street, London, EC2Y 5EH 01-920 9120

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American*	4	57.26	57.66	60.28	—	0.0
Far Eastern*	4	183.20	187.32	195.13	—	0.1
Growth†	4	182.32	184.63	193.09	-1.87	3.3
Income†	4	139.20	140.97	149.21	-0.75	4.8
Scandinavian†	4	66.89	68.53	71.28	+0.80	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

Pearl Unit Trusts Ltd (1000)H
PO Box 300, Thorpe Wood, Peterborough PE3 6SD
Dealing: 0800 626577 Enquiries: 0733 47767

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5	114.7	116.9xd	125.0	-1.6	2.79
(Accum Units)	5	182.8	186.3	199.1	-2.5	2.79
Income	6	173.1	175.9xd	187.1	-2.9	3.64
Equity	6	173.7	176.3	187.5	-2.7	2.65
(Accum Units)	6	320.3	325.1	345.8	-5.1	2.65
Intl Equity	6	167.0	169.0	179.7	-1.5	1.43
(Accum Units)	6	173.0	175.0	186.1	-1.5	1.43

Pembroke Administration Ltd (1700)F
18-19 Sandland St, London WC1R 4PZ. 01-430 0556

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Pembroke Accum	5	79.88	81.42	86.30	—	0.00

Perpetual Unit Tst Mngmt (1600)F
48 Hart Street, Henley on Thames 0491 576868

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Gwth	5¼	329.54	329.54	352.45	-1.35	1.44
Income	5	243.50	243.50xd	260.43	-0.79	4.03
W'wide Recovery	5¼	191.81	191.81	205.15	-0.26	1.65
American Growth	5¼	87.87	87.87	93.98	-0.66	1.35
Intl Emerging Cos	5¼	87.35	87.35	93.43	-0.15	0.92
Far East Gwth	5¼	123.67	123.67	132.27	+1.19	2.00
European Gwth	5¼	70.26	70.26	75.15	+0.26	1.10
UK Growth	5¼	46.22	46.22	49.44	-0.36	2.66
High Income	5¼	57.08	57.08	61.05	-0.17	5.85
Japanese Gwth	5¼	109.27	109.27	116.76	-0.43	0.01

Phillips & Drew Unit Managers Ltd
14 Finsbury Square, London EC2A 1PD. 01-628 6070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Charities Fxd Int		98.98	98.98	99.13	+0.35	9.4
Charities Ind Lkd		100.4	100.4	100.5	+0.5	2.3
UK Exempt		105.0	105.0	106.5	—	3.8
Charities Intl		102.8	102.8	103.9	—	3.4

Prolific Unit Tst Mngrs Ltd (1200)H
222 Bishopsgate, London EC2 01-247 7544/7

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Income	5	63.83	65.24	69.48	+0.08	3.84
Conv & Gilt	5	125.9	125.9xd	134.3	-0.8	6.08
Euro Gwth & Inc	5	48.39	49.35	52.77	+0.25	1.89
Extra Income	5	138.2	139.5	148.8	-1.3	4.54
Far East	5	264.3	267.5	284.3	+5.5	0.01
High Income	5	89.63	89.63xd	95.55	-0.78	4.26
International	5	149.8	149.8	159.3	-0.9	0.67
Nth American	5	150.1	153.3	164.0	(z)	0.02
Pref & Fxd Int	5	46.95	46.95xd	49.94	+0.04	8.42
Special Sits	5	110.0	110.0	117.6	-1.2	0.96
Technology	5	141.1	145.1	154.9	+0.6	0.54

Providence Capital Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 01-749 9111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Worldwide Inc	5	96.15	96.15	102.70	-0.9	0.70
Worldwide Acc	5	100.20	100.20	107.00	-0.9	0.70
UK Equity Inc	5	75.80	75.80	81.64	-1.12	3.35
UK Equity Acc	5	82.30	82.30	88.65	-1.21	3.35
European Inc	5	106.40	106.40xd	113.80	+0.2	0.33
European Acc	5	110.20	110.20xd	117.80	+0.2	0.33
Nth American Inc	5	64.03	64.03	68.09	-0.5	0.85
Nth American Acc	5	66.40	66.40	70.61	-0.52	0.85
Japan Inc	5	114.70	114.70xd	122.70	—	0.00
Japan Acc	5	115.00	115.00xd	123.00	+0.1	0.00
UK High Inc Eq Inc	5	71.67	71.67	77.43	-0.62	5.82
UK High Inc Eq Acc	5	79.61	79.61	86.01	-0.69	5.82
Hong Kong Inc	5	51.88	51.88	55.39	-0.79	2.11
Hong Kong Acc	5	53.68	53.68	57.25	-0.82	2.11
Swiss Equities Inc	5	32.46	32.46xd	34.77	-0.32	1.50
Swiss Equities Acc	5	32.74	32.74xd	35.07	-0.32	1.50
W'wide Bond Inc	5	51.18	51.18	54.05	—	5.98
W'wide Bond Acc	5	52.85	52.85	55.81	+0.01	5.98
Emerging Asia Inc	5	78.80	78.80	84.47	-0.88	0.00
Emerging Asia Acc	5	78.80	78.80	84.47	-0.88	0.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ◆ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convtbl & Equity	5	68.08	65.92	70.12	-0.21	6.85
European	6	63.23	63.71	67.78	-0.04	0.09
Far Eastern	5	62.59	62.79	66.80	-1.35	0.24
Growth Inc	5	88.35	91.65	97.49	-0.56	1.99
Growth Acc	5	88.35	91.65	97.49	-0.56	1.99
Income Inc	5	84.54	86.32	91.83	-0.76	5.30
Income Acc	5	84.54	86.32	91.83	-0.76	5.30
Property Share	5	54.64	54.64	58.25	-1.05	1.00
Smaller Co's	5	58.96	62.31xd	66.28	-0.59	1.46
Formerly MIC Trust Managers Ltd						
N'th American	5	61.26	61.26	65.52	-0.08	1.65
International	5	46.65	46.65	49.89	-0.14	1.44
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 8592						
Growth	5	108.69	108.69	113.69		1.27
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63.65	66.10	70.32	-0.90	2.65
YBTM UK Eqty Inc Tst	5¼	60.40	62.50	66.49	-0.38	4.59
YBTM Intl Gwth Tst	5¼	49.83	49.83xd	53.16	+0.03	1.09

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Expl May 17	480.4	498.6			
Cent. Bd. of Fin. of Church of England‡‡					
2 Fore Street, London EC2Y 5AQ 01-588 1815					
Inv Fund Apr 30		507.65			4.67
Fxd Int. Sec. Apr 30		141.15			10.13
Deposit Apr 30		100.00			12.45
Charities Official Invest. Fund‡‡					
2 Fore Street, London EC2Y 5AQ 01-588 1815					
Income Apr 30		480.64			4.97
Accum Apr 30		1579.44			
Edinburgh Fund Mngrs PLC					

INSURANCES

Continued on next page

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

JERSEY (**)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	Exch.10pc 1989	[illegible]	[illegible]	10.06	13.08
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	11.09	13.09
98	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.11	10.67
[illegible]	[illegible]	Exch 10¼pcCv '89	[illegible]	.....	10.31	11.37
[illegible]	100	Treas 13pc 1990‡‡	[illegible]	[illegible]	13.00	12.88
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	11.14	12.76
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	12.52	12.69
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.19	9.70
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.56	11.95
[illegible]	[illegible]	Treas. 8pc Cv 1990 ‡‡	[illegible]	[illegible]	8.31	11.61
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	10.29	12.17
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.76	9.45
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.81	12.06
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.26	10.66
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	.....	3.35	8.94
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.33	11.74
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.18	11.74
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	.....	8.69	11.71
[illegible]	102	Treas 12¾pc 1992‡‡	[illegible]	.....	12.37	11.37
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	.....	10.34	11.40
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	.....	8.72	11.40
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.74	11.38
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.59	9.29
[illegible]	102	Exch. 12¼pc '92	[illegible]	.....	11.98	11.38
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	.....	12.75	11.28
[illegible]	[illegible]	Treas 8¾pc 1993	[illegible]	.....	9.03	11.11
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.31	10.96
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	.....	11.93	11.02
[illegible]	[illegible]	Funding 6pc 1993‡‡	86	[illegible]	6.98	10.07
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	.....	12.54	10.94

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
26⅞	21⅛	Dana Corp. $1	26⅞	+½	$1.60	–	3.8
11⅞	854p	Data General	11⅝	–⅛	–	–	–
34¼	28⅛	Dun & Bradstreet $1	33¼	–½	$2.00	–	3.7
39	30½	Eaton Corpn. 50c	39	+¾	$2.00	–	3.2
11⅛	8½	Echlin Inc	11⅛	+⅛	70c	–	3.9
20¼	16¾	FPL Group 1c	20¼	+⅛	$2.20	–	6.9
32⅛	27⅞	Ford Motor $1	30⅛	–⅜	$3.00	–	6.2
39¾	30½	GATX 62½c	39¼	+¹³⁄₁₆	$2.00	–	3.2
34¼	24¼	Gen. Elect. 63c	33⅞	......	$1.64	–	3.1
567p	484p	General Host Corp $1	532p	+2	28c	–	3.3
39⅛	18¼	Gillette $1	25	–14⅛	96c	–	2.4
834p	616p	Gt Am First Svgs Bk $1	810p	–13	60c	–	4.7
21¼	16⅛	Greyhound $1½	21¼	......	$1.32	–	3.8
12⅛	847p	Hasbro Inc 50c	12⅛	......	16c	–	0.8
11⅛	6	Home Group $1	8	–3⅛	20c	–	1.6
49¼	32¼	Honeywell $1½	49¼	+1¼	$2.10	–	2.7
18⅞	15⅛	Houston Inds	18¾	...	$2.96	–	10.0
74⅝	63½	IBM Corpn $1¼	70⅛	+½	$4.84	–	4.4
52p	45p	Image Storage/R.Sn.1c	45p	......	–	–	–
26¼	18¼	Ingersoll-Rand $2	26¼	+⅛	$1.04	–	2.5
30⅛	22½	Lockheed Crpn. $1	30⅛	+⅛	$1.60	–	3.3
18⅞	15⅛	Lone Star Inds $1	18⅞	+½	$1.90	–	6.3
24¼	17½	Louisiana Land 15c	24¼	+⅜	$1.00	–	2.6
16	11½	Lowe's 50c	15⅛	–⅛	48c	–	2.0
22⅞	15⅛	Manuf Hanover $1	22⅞	+⅜	$3.28	–	9.0
19⅝	13⅛	Merrill Lynch $1	19⅛	+⅛	$1.00	–	3.3
2253p	1910p	Molex Inc	2058p	+18	3.2c	–	–
25⅛	18⅛	Morgan (JP) $2½	25½	+⅜	$1.66	–	4.1
49⅞	36⅛	NYNEX $1	49⅞	+⅛	$4.36	–	5.6
22⅞	18¼	PHH Corp	22⅝	......	$1.12	–	3.1
253p	220p	Pacific Agr	253p	......	–	–	–
24½	19	Pacificorp $3¼	24⅛	–⅛	$2.76	–	6.9
26¼	16⅞	Pacific Telesis 10c	25¼	–½	$1.88	–	4.6
20⅛	15¼	Pall Corp 25c	20⅛	–⅛	48c	–	1.5
53⅛	39⅛	Pennzoil 83 1/3c	53⅛	+½	$3.00	–	3.6
24⅛	17⅛	Premark Intl	24⅛	–⅛	60c	–	1.6
37⅞	28⅛	Quaker Oats $5	37⅞	+⅛	$1.20	–	2.0
28⅞	23½	Rep NY Corpn $5	28⅞	+⅝	$1.28	–	2.8
14⅛	11⅛	Rockwell Intl $1	14⅛	+⅛	72c	–	3.2
33⅞	21⅝	Southwestern Bell $1	32⅞	–⅜	$2.60	–	5.0
25⅛	17⅛	Sun Co Inc $1	24⅞	–⅛	$1.80	–	4.6
29⅛	22⅛	TRW Inc 62½c	29⅛	+⅝	$1.72	–	3.7
20⅞	14⅛	TW Services $5	20⅛	+⅛	10c	–	0.3
34⅛	26¼	Tenneco $5	34⅝	–⅛	$3.04	–	5.6
35⅛	28	Texaco $6.25	35⅛	+⅛	$3.00	–	5.4
28⅛	21⅝	Texas Instr $1	28⅛	+⅛	72c	–	1.6
80⅛	58½	Time Inc. $1	80⅛	+1⅛	$1.00	–	0.8
17¼	15⅛	TRINOVA Corp	17¼	+⅛	64c	–	2.3
21⅛	16	USX $1	21⅞	+⅛	$1.40	–	4.0
164p	126p	Unilab	158p	...	–	–	–
33	22¼	Utd Technologies	33	+⅛	$1.60	–	3.1
158p	128p	Utilitech Inc	142p	...	–	–	–
44⅝	31⅛	US West	44¼	–⅛	$3.76	–	5.4
32½	22⅝	Waste Management $1	32½	+⅛	48c	–	0.9
19¼	13½	Whirlpool $1	19¼	...	$1.10	–	3.6
21⅛	16⅛	Whitman Corp	21⅛	+⅛	96c	–	2.9
33¼	28⅛	Woolworth $3½	33¼	+⅜	$1.64	–	3.1

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	129p	ABM Gold Corp	139p	+1	–	–	–
23⅛p	4½p	Abbot Energy Corp	16p	...	–	–	–
13¼	902p	Amer. Barrick Res.	12⅞	–⅛	–	–	–
3¼p	2⅛p	Amer. Lightwave	2⅛p	...	–	–	–
19⅛p	11⅝p	Armeno	11⅝p	–2⅛	–	–	–
326p	94p	Asiamerica Hldgs	325p	+8	–	–	–
33¼p	13¼p	Augmitto Expln	13¼p	+⅛	–	–	–
16⅛	12⅞	Bk. Montreal	16⅞	–⅛	$2.12	–	6.6
938p	655p	Bk. Nova Scot.	921p	–17	84c	–	4.6
20⅛	17	BCE	20⅛	+⅛	$2.44	–	6.1
839p	570p	Bow Valley	835p	–4	40c	–	2.4

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

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[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

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[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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INSURANCES—Contd

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
1023	853	Sun Life 5p α	913	−5	38.69	—	5.7	—
£71⅝	£55¾	♥Taisho M EDR	£60¼	+¼	gQ10%	—	0.7	—
£25	£16¾	Torchmark $1.00	£24½	−½	Q$1.20	—	2.6	—
713	558	Trade Indemnity y	700	−5	7.0	—	1.3	—
£25¼	£19	Travelers $1.25	£25¼	+⅛	$2.40	—	5.9	—
£20⅞	£15⅝	USF & G Corp $2.50	£20⅝	.....	Q$2.80	—	8.6	—
£27¼	£18⅞	USLIFE Corp. $1.0	£27⅛	+⅛	Q$1.40	—	3.2	—
793	505	♦Utd Friendly B 10p y	763	.....	31.25	♦	5.5	♦
265	216	Willis Faber 12½p α	238	−1	11.46	q1.2	6.6	16.8
48	41	Windsor 10p y	45	.....	—	—	—	84.3

LEISURE

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
10	7	♦A & M Group 10p y	7	.....	—	—	—	—
£87½	£77½	Do. 10pc Cv Bxs. Ln 1998 y	£77½	.....	10%	—	17.2	—
170	143	Airtours 10p y	164	−1	6.25	2.7	5.1	9.7
300	195	Anglia TV β	288	−2	7.75	3.1	3.6	12.1
150	113	Avesco 1p β	148	+5	0.75	7.8	0.7	25.1
34	25	♦BCE Hldgs 5p y	29	−1	d1.0	0.9	4.6	32.3
355	275	Barr & W.A.T. 'A' y	350xd	+3	15.0	1.7	5.7	14.1
22	14	♦Bond Media	17	+1	0.2c	—	5.7	—
495	225	Boosey & Hawkes y	465	−5	10.0	♦	2.9	♦
54	35	♦Border T.V. y	50	.....	t1.7	2.5	4.5	11.8
403	317	Brent Walker 10p β	390xd	−4	11.0	♦	3.8	♦
117	87	Do 6pc Cv.Cm.Rd. Pf y	108xd	−2	6.0	—	7.4	—
344	245	Campari Int. 20p y	284	.....	8.5	3.9	4.0	7.4
878	504	Capital Radio 10p β	845xd	.....	t10.0	3.6	1.6	23.2
912	662	Carlton Commcns α	808	−41	17.5	5.2	1.2	21.8
380	268	♦Castle Comms. 5p y	370	−5	17.2	2.1	2.6	22.2
780	579	Central ITV β	776	−3	22.5	♦	3.9	♦
248	126	Chrysalis y	201	−2	d3.43	0.1	2.3	—
194	101	♦Citivision 5p β	173	+1	1.0	6.8	0.8	21.5
38	25	Classic Th'treds in0.20 y	25	.....	—	—	—	—
368	258	Compass Group 5p β	349	−1	t17.2	2.7	2.8	17.8
100	69½	European Leisure y	98½	−1	t0.62%	29.9	0.1	36.8
*113	95	Expedier Leis. 20p y	109	−1	—	—	—	29.8
653	437	Fairline Boats 10p y	619	−13	t13.5	5.0	2.9	9.0
205	149	First Leisure β	197	.....	2.93	3.3	2.0	19.9
748	625	♦GWR Group 20p α	748	.....	t3.0	11.3	0.5	19.4

MINES—Contd

Tins

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
45	35	♥Ayer Hitam SM1	45	.....	bbQ53.3c	0.7	‡
75	38	Gopeng Berhad M$0.50	75	.....	Q10c	2.0	2.9
615	83	Jantar 12½p y	130xd	.....	♦	—	—
84	47	Malaysia Mng. 10c	84	+5	Q5c	4.0	1.3
180	120	Petaling SM1	180	.....	Q87c	1.0	10.9
150	90	Sungei Besi SM1	125	.....	Q70c	1.4	12.7
90	90	Tanjong 15p	90xd	.....	—	—	—

THIRD MARKET

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
205	175	Royal Sovereign 10p y	198	.....	5.5	3.2	3.7	11.1
21½	17	Scott Pickford 10p y	20	.....	3.1	0.7	20.7	10.4
135	95	Seacon Hldgs y	135	.....	2.5	♦	2.5	♦
11	7	Sonic Tape 2½p y	10½	.....	—	—	—	13.8
*17½	7	Staks Hldgs. 5p y	7xr	.....	—	—	—	13.0
*3¼	1¼	Swanyard Studios 1p y	3	.....	—	—	—	♦
85	28	Tomorrows Leisure 20p y	83	+5	—	—	—	41.3
19	11	Tullow Oil 10p y	15	.....	—	—	—	—
113	98	UPL Group 10p y	98xd	.....	2.75	♦	3.7	♦
147	135	Unit Group y	140	+2	F7.5	2.9	7.1	8.0
14	5	Vista Ents 5p y	11½	−½	—	—	—	—
40	37	Vizcaya Hldgs 5p y	38	.....	—	—	—	—
35½	23	Whitegate Leisure 20p y	32½	−½	—	—	—	—
20½	10	Do. Wrrnts y	20	.....	—	—	—	—
9¼	5	Wilton Group 1p y	8¼	−½	—	—	—	—

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, y Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ± Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p y	108	.....
Craig & Rose £1 y	720	.....
Finlay Pkg. 5p y	88xd	.....
Holt (Jos) 25p y	1313	.....

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£97¼	.....
Fin. 13% 97/02	£118	.....
Arnotts	450xd	+5½
Carrol (P.J.) y	150	−5
Hall (R. & H.)	160	.....
Heiton Hldgs y	78	.....
Irish Ropes	195xd	.....
United Drug	148	.....

TRADITIONAL OPTIONS

3-month call rates

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PROPERTY

TEXTILES

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TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

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PLANTATIONS

Rubbers, Palm Oil

Teas

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Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

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Commercial Vehicles

Components

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PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound ends off the top

TWO ROUNDS of intervention by the Bank of England and a one point rise in bank base rates to 14 per cent helped the pound recover from the day's lows in currency markets yesterday, although its exchange rate index still finished down from closing levels on Tuesday.

Sterling opened sharply weaker as investors continued to interpret comments made on Tuesday by Mrs Margaret Thatcher, the Prime Minister, as suggesting that UK rates were high enough to control inflation. Its index opened at 92.8, down from 93.3 on Tuesday, and touched a low of 92.7 at 9am. However, the Bank's decision to give a signal for higher rates pushed the index up to 93.5 at 10am, but it slipped away soon after and closed at 93.1, a loss of 0.2 from Tuesday.

The authorities sold dollars during the morning at $1.5685 and the pound moved up to $1.5715. Sentiment was helped by a surprise fall in UK retail sales; the April figure showed a fall of 1.4 per cent compared with expectations of a 0.2 per cent rise. But the pound's upward potential was always likely to be limited because investors were maintaining a cautious stance ahead of the release today of UK trade numbers for April. The consensus of forecasts is looking for a current account deficit of £1.65bn compared with a £1.2bn shortfall in March.

Sterling closed at $1.5685 from $1.5675 and DM3.1550 compared with DM3.1475. It was also firmer against the yen at Y224.0 from Y222.50. Elsewhere, it finished at FFr10.6925 from FFr10.6600 and SFr2.8025, unchanged from Tuesday.

The dollar recovered from a sluggish start punctuated by bouts of profit taking to finish near the day's highs and up from the close on Tuesday. Early attention focused on the pound, and traders adopted a more cautious stance on fears that rates in the UK, Japan and West Germany could all be increased to counter the dollar's recent strength. By mid-afternoon, overseas investors were beginning to re-emerge, and the dollar moved up to close at DM2.0125 from DM2.0085 and Y142.85 compared with Y141.95. Elsewhere, it finished at SFr1.7860 from SFr1.7875 and FFr6.8175 against FFr6.8000. On Bank of England figures, the dollar's exchange rate index rose from 72.2 to 72.6.

There was no sign of intervention by the US Federal Reserve. While the dollar is likely to retain its firm undertone, some institutions may prefer to wait before opening fresh dollar positions for the release of US first quarter data on Gross National Product due today and the inflation guide provided by the implicit price deflator.

In Milan, the Bank of Italy bought around FFr30m at the fixing when the franc slipped to L213.71, its lowest level since May 1987 and down from FFr214.05 on Tuesday. The franc was also weaker against the D-Mark, the latter rising to FFr3.3876 from FFr3.3856.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5710	+2.62	+1.00	±1.5344
Danish Krone	7.85212	8.10166	+3.18	+1.56	±1.5404
German D-Mark	2.05853	2.08022	+1.05	-0.57	±1.0981
French Franc	6.90403	7.05109	+2.13	+0.51	±1.3674
Dutch Guilder	2.31943	2.34450	+1.08	-0.54	±1.5012
Irish Punt	0.768411	0.778028	+1.25	-0.37	±1.6684
Italian Lira	1483.58	1506.63	+1.55	+0.61	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

May.24	Latest	Previous Close
£ Spot	1.5715-1.5725	1.5630-1.5640
1 month	0.54-0.53pm	0.47-0.44pm
3 months	1.67-1.65pm	1.50-1.45pm
12 months	5.83-5.73pm	5.65-5.50pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

May.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5585 - 1.5745	1.5680 - 1.5690	0.54-0.51cpm	4.02	1.69-1.64pm	4.25
Canada	1.8665 - 1.8900	1.8845 - 1.8855	0.06-0.01cpm	0.22	0.26-0.20pm	0.49
Netherlands	3.54¼ - 3.57½	3.56¼ - 3.57¼	2-1⅞cpm	5.67	5⅝-5⅜pm	5.20
Belgium	65.75 - 66.30	66.05 - 66.15	32-27cpm	5.36	90-83pm	5.23
Denmark	12.23 - 12.32¼	12.29¾ - 12.30¼	5½-4½orepm	3.65	14-13pm	3.39
Ireland	1.1710 - 1.1825	1.1795 - 1.1805	0.50-0.45cpm	3.17	1.30-1.20pm	2.78
W. Germany	3.13¼ - 3.16¼	3.15¼ - 3.15½	1⅞-1¾pfpm	6.89	5¼-5pm	6.50
Portugal	258.80 - 261.50	259.70 - 260.70	3-5cdis	-1.36	43-176dis	-1.68
Spain	196.00 - 196.90	196.75 - 196.85	1-12cdis	-0.40	11-30dis	-0.42

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling active but weak

TRADING VOLUME rose to record levels in Liffe trading yesterday with a total of 187,000 contracts changing hands. This surpassed the previous record of 180,212 set on October 20 1987.

The short sterling sector accounted for a lion's share of the volume. In the futures pit some 77,000 lots were traded, easily beating the previous record of 59,000 established on Monday.

Short-sterling prices were marked down sharply after the rise in cash rates, and the most actively traded September contract slumped to a low of 86.10 at one point before recovering to close at 86.39 compared with 86.73 on Tuesday. The closing price discounts a base rate of 13¾ per cent, indicating that the market is showing confidence at the moment that rates will be easier by September.

By contrast, long gilt futures ended the day showing a modest gain. Confirmation of the Government's determination to bear down on inflation and a surprise fall in April retail sales helped to push the June contract up to 94-11 from 94-06 at the start and 94-07 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	336	345	14	39
93	247	263	25	57
94	200	223	42	117
95	123	152	101	146
96	59	123	137	217
97	36	63	214	257
98	22	45	300	339

Estimated volume total, Calls 1283 Puts 1917

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
86	641	651	15	33
88	458	515	29	61
90	322	355	60	137
92	201	247	139	229
94	106	154	244	336
96	35	112	409	458
98	17	47	555	629

Estimated volume total, Calls 107 Puts 139

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9100	193	195	22	54
9150	153	160	32	69
9200	117	130	46	89
9250	87	106	66	115
9300	61	84	90	143
9350	46	65	125	174
9400	32	50	161	209

Estimated volume total, Calls 1029 Puts 1115

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

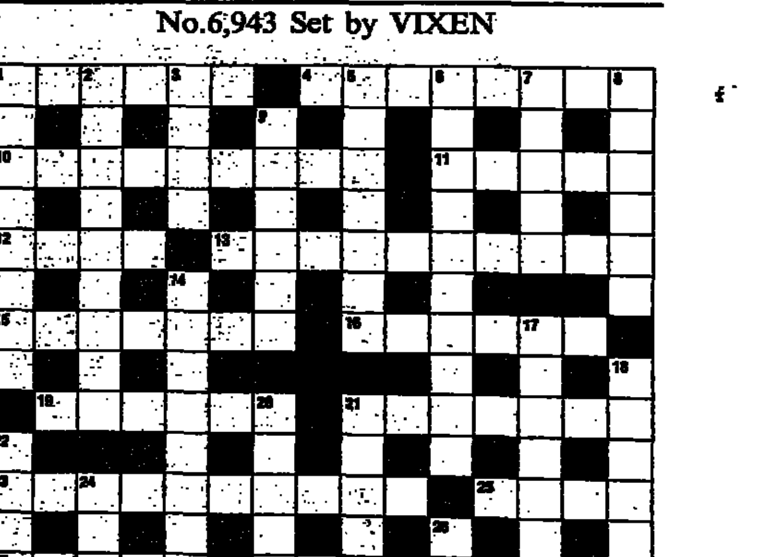
LONDON (LIFFE)

CHICAGO

EUROPEAN OPTIONS EXCHANGE

CROSSWORD

No.6,943 Set by VIXEN



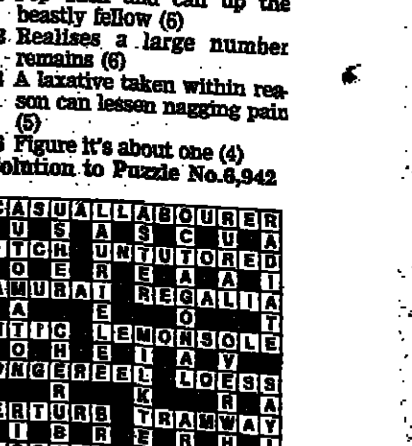
ACROSS

1 Chaff immersed in water to make a sweet (6)
4 One way a crisis can result in bloomers being made (8)
10 Choice Spanish article taken in the piece (9)
11 Many a song is written for a girl (5)
12 Disturbances in the ranks (4)
13 Resembles a puzzle put together again (10)
15 Learn discretion in communication (7)
16 Think to take over (6)
19 Looked askance but showed the way around always (6)
21 An entertainer's surprising traits – eye-opening! (7)
23 Preoccupied with sailing man's dissertation, a newspaper leader (10)
25 The price is about right for 18 down (4)
27 He comes in behind underlings (5)
28 Guides a scholar beset by fearsome creatures (9)
29 Colours, which is normal (8)
30 The pad organised for a group of seven (6)

DOWN

1 Ill-repute of underworld woman (8)
2 Pension concession (9)
3 Every ace maybe gets hard (4)
5 One would not remember having this (7)
6 Making approach about prisons and returning thanks for redress (10)
7 Plants for the cleaner? (5)
8 Representations will be made if game is affected (6)
9 Deal with food in the abstract (6)
14 The good earth – where people enjoy good times (10)
17 Rogue car-men, it's become plain (9)
18 The leftist holding a contract to produce 25 across (8)
20 A judge of French alcoholic liquor (7)
21 Pop back and call up the beastly fellow (6)
22 Realises a large number remains (6)
24 A laxative taken within reason can lessen nagging pain (5)
26 Figure it's about one (4)

Solution to Puzzle No.6,942



MONEY MARKETS

Steady but nervous

The rise in UK base rates yesterday to 14 per cent came just in time to prevent a further slide in sterling's value, according to many market analysts in London. Before the Bank of England raised its discount house lending rate to 14 per cent, three-month interbank money was already discounting a half point rise to 13¾ per cent, and a delay of just one more day could have seen official rates simply moving in line with market rates rather than giving a pre-emptive lead.

UK clearing bank base lending rate 14 per cent from May 24

Longer term rates reflected the market's slightly more relaxed tone by reverting to a reverse yield curve from two-month money out to one-year. For the time being this indicates that the current level of base rates is regarded as sufficient to support the pound. However, sentiment may be tested again today with the release of UK trade figures for April.

Yesterday the three-month interbank rate moved up to 14-13¾ per cent soon after the Bank's announcement on its lending rate, but came back to finish at 13$\frac{15}{16}$-13$\frac{13}{16}$ per cent compared with 13⅞-13¾ per cent on Tuesday.

The Bank forecast a shortage of around £800m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills draining £119m and Exchequer transactions accounting for a further £515m. There was also a rise in the note circulation of £180m. These were partly offset by banks' balances brought forward £30m above target. The Bank made no offer to buy bills either in the morning or afternoon. The shortage was taken out when the authorities lent £585m to the houses at 14 per cent.

In Frankfurt, the Bundesbank accepted bids at its latest sale and repurchase tender at rates varying from 6.50 per cent to 6.85 per cent. The minimum rate of 6.5 per cent - the same as the Lombard rate - was up quite sharply from the 6.35 per cent accepted at the previous tender. The firmer tone reflected a rise in period rates which have all moved above 7 per cent on the weakness of the D-Mark against the dollar.

However, short term rates remained stable because the Bundesbank accepted bids totalling DM8.3bn compared with a maturing facility of DM6.2bn. This will help to bolster commercial banks' reserve holdings with the Bundesbank which have been depleted over the past few days.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

هكذا من الأصل

CANADA

TORONTO

Closing prices May 23

MONTREAL

Closing prices May 23

Total Sales 4,665,882 shares.

INDICES

NEW YORK — DOW JONES

	May 23	May 22	May 19	May 18	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2478.01	2502.02	2501.10	2470.12	2502.02 (22/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.45	90.31	90.19	89.95	90.45 (23/5)	87.35 (23/3)	-	-
Transport	1155.56	1161.06	1156.37	1141.82	1161.06 (22/5)	959.95 (3/1)	1161.06 (22/5/89)	12.32 (8/7/32)
Utilities	199.38	201.04	200.51	199.21	201.04 (22/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2501.83 (2521.63) Low 2467.19 (2481.30)

STANDARD AND POOR'S	May 23	May 22	May 19	May 18	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	318.32	321.98	321.24	317.97	321.98 (22/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	364.72	369.09	368.76	365.47	369.09 (22/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	29.85	30.07	29.81	29.41	30.07 (22/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	177.61	179.35	178.92	177.29	179.35 (22/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	350.96	352.98	353.83	352.58	353.83 (19/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	440.15	441.78	442.05	439.81	442.05 (19/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 19	May 12	May 5	year ago (approx.)
Dow Industrial Div. Yield	3.35	3.43	3.51	3.68
	May 17	May 10	May 3	year ago (approx.)
S & P Industrial div. yield	3.04	3.12	3.08	2.94
S & P Indl. P/E ratio	13.42	13.54	13.64	15.35

TRADING ACTIVITY

†Volume (Millions)	May 23	May 22	May 19
New York	188.742	185.010	211.311
Amex	10.983	11.631	13.763
OTC	140.958	124.610	181.958

NEW YORK	May 23	May 22	May 19
Issues Traded	1,978	1,996	1,990
Rises	565	824	1,015
Falls	925	691	519
Unchanged	488	481	456
New Highs	108	219	230
New Lows	21	26	12

CANADA

TORONTO	May 23	May 22	May 19	May 18	1989 High	1989 Low
Metals & Minerals	3360.2	(c)	3429.9	3447.7	3564.9 (6/2)	3207.5 (3/1)
Composite	3657.7	(c)	3686.8	3675.4	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1885.76	(c)	1901.24	1898.01	1901.24 (19/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texas Ut	7,003,100	31¼	.....	Smithkline	1,986,500	62	+ 1⅛
Genl Electric	2,472,900	52¼	- ⅞	Exxon	1,650,800	43⅝	- ⅝
First Bank	2,418,300	23¼	+ ⅛	Warner Coms	1,642,500	51⅞	+ ½
AT&T	2,256,300	34⅝	- 1⅛	Eastman Kodak	1,535,900	44	- ¼
IBM	2,007,400	109⅝	- ¼	Navistar	1,492,000	5¼	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 24	May 23	May 22	May 19	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1571.2	1583.7	1580.2	1562.9	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	698.9	702.1	702.1	697.9	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	316.34	308.38	304.09	308.30	320.48 (12/5)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6049.80	6061.58	6081.92	6079.02	6081.92 (22/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	309.14	309.03	307.69	310.64 (16/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	801.4	799.3	798.7	803.8	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	466.5	464.9†	464.5	460.3	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	110.1	109.4	109.2	108.9	111.3 (24/4)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	573.72	566.38	576.39	568.12	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1703.3	1681.3	1684.6	1687.0	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1372.09	1352.56	1345.10	1360.41	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3008.73	3067.65	2806.57	3145.63	3309.64 (15/5)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	601.06	603.98	603.37	601.78	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33851.82	33816.61	34067.86	34001.9	34135.24 (8/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2509.73	2507.85	2519.46	2518.15	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Tr/.Rtn.Gen.(End 1983)	241.4	241.0	241.5	240.4	241.5 (22/5)	208.3 (3/1)
CBS All Shr (End 1983)	188.1	187.9	188.3	187.4	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	644.7	651.24	659.56	650.00	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1280.57	1291.92	1292.74	(c)	1310.02 (17/5)	1050.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1382.0	1371.0	1313.0	1357.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2380.0	2347.0	2287.0	2353.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	309.20	310.82	310.24	306.24	310.82 (23/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4012.9	(u)	4046.8	4002.6	4046.8 (22/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	668.8	672.6	674.1	672.3	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	501.0	503.5	510.9	519.0 (17/2)	491.2 (28/3)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 24 May 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Japan Line	28.0m	220	+18	Yamashita-Shin-nihon	14.9m	580	+50
Sumitomo Metal	20.0m	908	+5	Sekisui House	12.9m	2,030	+80
Tokyo Steel	19.0m	4,430	+170	Toshiba	11.3m	1,350	-10
KHI	15.9m	1,120	+60	Nippon Steel	10.7m	900	+8
Toda Construction	15.8m	1,710	+140	Tokyo Tekko	9.9m	1,960	+260

2pm prices May 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
31½	2?¼	AAR	.44	1.4	23	127	31⅛	30¾	30¾	− ⅛
10⅛	8⅛	ACM n	1.01	11.		91	9⅛	9	9⅛	+ ⅛
11⅞	10¼	ACMIn	1.23a	11.		254	11	10⅞	11	
10½	8½	ACM M	n1.01	11.		724	9⅛	8⅞	9⅛	+ ⅛
11½	10½	ACM Sc	1.25	12.		567	10⅞	10¾	10¾	− ⅛
10	8½	ACMSp	1.01	11.		358	9⅛	8⅞	9⅛	+ ⅛
4½	2¼	AMCA	.12e	2.5	29	50	4½	4¼	4½	
6¼	3½	AM Ind				579	6⅛	6	6	
23½	18½	AM In pf	2	8.7		14	22⅞	22¾	22⅞	+ ⅛
65⅝	35	AMR			7	1723	63	62½	62½	− ¾
25⅝	25	AMR pf	2.57	10.		1	25¼	25¼	25¼	+ ¼
5½	2½	ARX				100	4¼	4	4¼	+ ⅛
47	25½	ASA	3a	7.7		174	39⅛	39	39⅛	− ⅛
22	14½	AVX	.24	1.1	10	219	u22⅛	21⅞	21⅞	+ ⅛
59½	40	AbtLab	1.40	2.4	17	3228	58⅛	57¾	57⅞	− ¾
19	13½	AbitibI g				53	16⅝	16½	16½	− ⅛
12	7½	AcmeC	.40	3.9		250	10½	10¼	10½	+ ⅛
8	5½	AcmeE	.32	4.1	12	14	8	7⅞	7⅞	− ⅛
24⅝	20½	Acuson			26	137	33½	33	33½	+ ⅜
16⅞	14¼	AdaEx	1.53e	10.		101	15⅝	15¼	15⅝	+ ⅛
18⅞	7½	AMD				1257	9¾	9½	9¾	+ ⅛
43½	28¼	AMD pf	3	9.1		11	33⅛	32¾	33⅛	− ⅛
5½	6½	Adobe				21	9⅛	9	9	− ⅛
[illegible]										

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

—X—Y—Z—

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	50¼	Xerox	3	4.6	18	1258	65⅞	65¼	65⅜	+ ⅛
49⅜	44½	Xerox pf4.13		8.9		6	46¼	46¼	46¼	+ ½
44⅞	29⅝	XTRA	.72	2.0	16	86	35⅞	35⅝	35⅞	
33	25	XTRA pf1.94		6.7		10	28¾	28¾	28¾	+ ½
3¼	2	Zapata				154	2⅞	2¾	2⅞	
30⅛	18⅝	Zayre	.40e	1.4	196	3175	29⅛	28⅞	29	
30	16½	ZenithE			975	1751	18⅝	18¾	18½	
10⅜	8⅞	Zeninc	1.26	14.		133	9⅜	9⅛	9⅛	− ⅛
2⅞	1	vjZenLb				725	1⅝	1½	1½	
21⅝	15	ZenNtl	.80b	4.4	8	22	18⅛	18⅛	18⅛	
19⅞	13⅝	Zero	.44	2.3	15	39	19	18⅞	18⅞	− ⅛
32¼	19	Zurnin	.68	2.0	17	597	u34¾	31⅞	33⅛	+1⅞
11¼	10	Zweig	1.07e	10.		287	10⅞	10¾	10⅝	− ⅛
10⅞	8⅞	Zweig n.24e		2.6		815	9¼	9⅛	9¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices May 24

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PlyGem	.12	10	22	13⅞	13¾	13¾	− ⅛
Presd B		118	10	4⅝	4⅝	4⅝	

OVER-THE-COUNTER

Nasdaq national market, 2pm prices May 24

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Worthg	.48	14	x255	21¾	21½	21¾	+ ⅛
Wyman	.60	63	53	17⅛	17	17	− ⅛
—X—Y—Z—							
XL Dta s		19	1145	u23¾	22	22½	− ¾
XOMA			465	18¼	17¾	18⅛	+ ⅜
Xicor		10	866	8	7⅞	7⅞	− ⅛
YelowF	.70	11	146	28⅝	28⅜	28⅝	+ ⅛
ZionUt	1.44		66	25⅛	24¾	24¾	− ⅜
Zycad			189	4⅛	4	4⅛	

AMERICA

Dow dips in active trade as investors take profits

Wall Street

AN ACTIVE morning on Wall Street saw stocks trading narrowly lower as traders continued to take profits, *writes Karen Zagor in New York.*

At 2pm, the Dow Jones Industrial Average was down 2.94 points at 2,475.07. Volume was active on the New York Stock Exchange with more than 121.8m shares changing hands. Declining issues had a slight edge on those advancing.

The stock market's retreat was reflected in the NYSE Composite index which by early afternoon was 177.24, down 0.37, and the Standard & Poor's 500, which was 317.66, down 0.68.

Stock prices took their lead from the debt market, where bonds were lower across the board in light trading. At midday, the Treasury's benchmark 30-year bond was down 5/16 of a point at 102 23/32, a price at which it yielded 8.64 per cent.

There was no sign of the dollar giving up any of its recent gains despite intervention and higher UK lending rates, which initially bolstered sterling against the US currency. In early afternoon the US currency was about Y142.68 and DM2.0105 in New York, little changed from the previous evening's levels. However, traders are unsure about the durability of the dollar's strength. Trading was described as choppy.

The release of the first revision of first quarter GNP growth rate today is not expected to move the market. Analysts expect the revision to be to an annual rate of about 5.3 per cent from 5.5 per cent.

Avon Products, the world's biggest cosmetic maker, added $1⅛ to $35⅞ amid speculation that Mr Irwin Jacobs, who holds a 10.3 per cent stake in Avon, plans to launch a hostile $40-a-share bid in conjunction with an unnamed company. Amway, a competitor in door-to-door marketing, dropped its $39 a share bid for Avon last week.

Class A shares of Gordon Jewelry, a leading store chain, leapt $6⅝ to $36⅛ after agreeing to be acquired by Zale, a competitor, for $36¾ a share.

Greyhound, the industrial group, added $½ to $34¼ after the company's chairman and chief executive dispelled takeover rumours. Mr John Teets said the increased activity of Greyhound shares could be linked to the stock going ex-dividend on Friday.

Texas Air, the parent company of bankrupt Eastern Airlines, added $⅜ to $12⅝. The stock was one of the five most active in early afternoon trading on the American Stock Exchange as courts neared a final decision on a buyer for the Eastern shuttle.

Wall Street evidently was impressed by significantly higher earnings from US Shoe, which reported first quarter net income of 17 cents a share from 7 cents a share. At midday the stock was at $19, up $¼.

Panhandle Eastern, which operates natural gas lines, dropped $⅛ to $22⅝. Texas Eastern, which plans to merge with Panhandle Eastern, added $⅛ to $50½.

With oil prices rising continuing to rise, oil stocks were generally higher. Exxon gained $⅛ at $43¾. Mobil added $⅝ to $52⅝, Chevron gained $1 at $56, Amoco was up $⅛ to $44¾ and British Petroleum was up $⅛ at $55⅛.

IBM gained $⅝ at $109⅞. Among other blue chip issues, Boeing dropped $⅛ at $78¾. Lockheed was up $⅛ at $47⅞.

Canada

PROFIT-TAKING on blue chip shares in New York and lower bond prices made Toronto stocks drift lower by midday in moderate trade.

The composite index fell 11.8 to 3,646.2 with declining shares outnumbering advancing ones 299 to 244 on volume of 12.8m shares. Imperial Oil fell C$1⅜ to C$54 after announcing a new share issue.

Japan acquires a taste for functional food

Jacqueline Moore discovers a developing sector expected to produce healthy returns

PILLS and potions may soon lie unused in medicine cabinets, if functional food becomes as successful as analysts predict. Instead, consumers will be munching special fish spreads, margarines or sweets to help prevent disease and improve health.

Functional foods are aimed at protecting people against illnesses diseases and at regulating body functions and, in Japan in particular, companies involved with them are expected to become stock market stars.

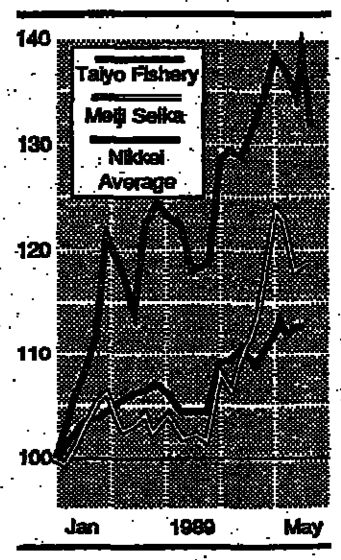
"Functional food is the most exciting theme to hit the food industry since the health food boom," says Barclays de Zoete Wedd in its Japan – Food and Drink publication, out this month.

In Japan, the Government started to investigate the concept of medicinal foods five years ago, and regulations governing them are expected this year.

Functional food is not simply health food with a more imposing name. Japan's Ministry of Health and Welfare is expected to recognise the category officially this year and has prepared a definition. Functional food, it says, must be absorbed in the same way as normal food – not from capsules or powders, for example – with naturally occurring ingredients. It must be able to be consumed as part of a daily diet. And it must regulate bodily functions, for example control blood pressure levels.

Several companies, some of which already sell items that could come into this category, have been appearing on brokers' buy lists this spring. Companies cannot promote goods as functional foods, however, until the ministry's regulations have been finalised and applications for individual products accepted. Nevertheless, the prospect that certain existing products may be labelled as functional in the future has already stirred up interest in them.

Meiji Seika, a confectionery and pharmaceuticals company, has been selling a product called Fructo Oligo since 1984. It contains an oligo saccharide, which aids digestion of sugars and is said to help remove carcinogens from the body. Meiji Seika also has the technology for producing an amino acid peptide known as CPP, which helps to maintain calcium and iron levels in the body and may be able to prevent diseases that weaken the bones. This year, the company's share price has jumped 17.7 per cent – compared with an 11 per cent rise on the Nikkei average – to Y1,130 yesterday.



Taiyo Fishery, a trading house and food processing concern as well as a fishery company, has seen its share price shoot up 31 per cent in 1989 to Y880 yesterday.

Taiyo produces several functional food products, including a fatty acid called an eicosapentanoic acid (EPA) derived from oily fish that helps reduce blood viscosity and cholesterol level and might help prevent strokes. It also produces taurine, which comes from fish bile and also cuts cholesterol levels.

Other examples of foods that could be called functional include high-fibre biscuits or drinks, such as those produced by Yakult, which could improve digestion, blood pressure and cholesterol levels; chewing gum containing anti-cavity ingredients; and sweets, already developed by Asahi Chemical, with iron-supplements to help fight anaemia.

Baring Securities estimates that the functional food industry could eventually be worth Y1 trillion (million million) and predicts that it will be a long-running market theme.

"The functional food market will evolve over a period of time," it says in its report on the subject. "The extended nature of the concept will make functional food a long-term growth market for the food industry and suggests the theme will be recurrent and durable in the stock market."

If demand for functional food stocks grows, this could knock the shares of companies producing pharmaceuticals, sales of which might be expected to be affected. However, any reduction in sales of pharmaceuticals is only likely to become apparent when today's functional food-eating youngsters become tomorrow's fit and healthy old people.

Nevertheless, it seems that in the not-too-distant future, investors in the Tokyo market will have to watch closely to see how often the Japanese consumer reaches for the eicosapentanoic acid salad dressing, rather than for the blood pressure pills.

EUROPE

Frankfurt and Paris enjoy a busy, optimistic session

LEADING European bourses seemed to shrug off recent cares, ending higher in active trading. Their smaller counterparts fell prey to profit-taking, *writes Our Markets Staff.*

FRANKFURT set aside its recent pessimism and enjoyed a confident session, with prices rising 1.4 per cent in increased activity. Investors took an optimistic view of the strong dollar, concentrating more on its likely effect on exports than on interest rates.

The DAX index gained 19.53 to 1,372.09 and the midsession FAZ index rose 7.34 to 573.72. Turnover was DM5.55bn worth of shares – well up from the previous day's DM3.89bn.

"Sentiment changed slightly," said one analyst. "The higher dollar gives good ground that car (makers) will have better export results." The feature of the day was VW, he added. The stock jumped 5.8 per cent, adding DM21 to DM380.50, on improving export prospects and after this week's bullish analysts' presentation.

Elsewhere in the sector, Porsche gained DM21, or 2.7 per cent, to DM778 and Daimler advanced DM17, or 2.5 per cent, to DM675. BMW, which announced a one-for-20 rights issue on Tuesday, rose DM8 to DM520.

Hochtief, the construction stock, rose DM18 to DM819 after announcing an unchanged dividend for 1988 and a planned capital increase.

Feldmühle Nobel rose DM8.50 to DM344 after its paper-making arm predicted good results. Veba, which owns 46 per cent of Feldmühle, gained DM6 to DM286.

PARIS had a jolly session, seemingly ignoring external events to end 0.7 per cent higher on the first day of the account. "People were willing to take the plunge and do a bit of buying," said one analyst. "Even if nobody knows where the US economy is going, where interest rates are going, they're saying let's hunt for some good stocks."

The CAC 40 index finished at its high for the day, up 12.41 at 1,689.90. The OMF 50 index jumped 4.41 to 484.59. Volumes were said to be active after Tuesday's FFr2.2bn.

Générale Occidentale soared FFr50, or 5.9 per cent, to FFr904 in good volumes on reports that Havas was interested in buying a 41 per cent stake in Occidentale from CGE. There was talk in the market that perhaps the long-awaited restructuring at Occidentale, a communications group, was under way. Havas picked up FFr32 to FFr919 and CGE rose FFr6 to FFr430.

Eurotunnel had another powerful session, rising FFr4.80 to FFr112 in hectic trading, although it remained difficult to pinpoint the buyers. Metaleurop benefited further from firm base metal prices, climbing FFr11.10 to FFr204.10, and Maisons Phenix, a recovery situation, jumped FFr7.90, or 8.1 per cent, to FFr105.

ZURICH kept its eye on the interest rate picture and lost ground again, with the Crédit Suisse index falling 3.5 to 553.6.

Zurich Insurance saw further selling in its bearer shares, which lost SFr170 to SFr4,530. The registered stock also fell after Tuesday's gains, giving up SFr120 to SFr3,790.

MADRID saw profit-taking before today's holiday, and finished lower for the first time in six sessions. The general index lost 1.62 to 309.20.

Asland, the cement producer, rose 23 points to 1,958 of par after news it had taken a 2.5 per cent stake in Banesto at cost of Pta12.3bn. Asland has risen sharply in recent weeks fuelling speculation of a predator. County NatWest said: "One way to dissuade predators from taking you over is to spend your cash pile on other interests – involvement in the Banesto group may just prove to be that poison pill."

AMSTERDAM remained steady and quiet, with interest centring on Philips, which gained 90 cents to Fl 138.30 on US demand.

"The market is dull with people not knowing what to do with their money and worried about a possible increase in the discount rate," an analyst said.

The rise in UK interest rates, the dollar's failure to stay above Fl 2.27 and firmer prices on other exchanges helped to lift stocks from an easier opening. The CBS tendency index rose 1.1 to 177.7.

The strong dollar hit Royal Dutch, which closed 60 cents down at Fl 138.4. Heineken, likely to profit from prolonged warm weather and overseas earnings, gained 20 cents to Fl 111.3.

MILAN declined as the political confusion dragged on. The Comit index slipped 2.92 to 601.06. Insurance issues fell again, with Generali closing L400 lower at L40,350 and dropping to L40,000 after-hours.

STOCKHOLM recovered from sharp morning losses but closed lower as investors took profits amid fears of higher European interest rates. The Affärsvärlden General index fell 4.3 to 1,168.1.

Aga and Pharmacia both lost ground on going ex dividend. Aga free B-shares fell SKr16 to SKr242 and Pharmacia free B-shares closed SKr20 down at SKr190.

BRUSSELS investors took some profits as interest rate fears surfaced. The cash market index lost 11.78 to 6,049.80.

Petrofina, which on Tuesday paid a BFr400 dividend, closed down BFr200 at BFr13,325 as 14,000 shares changed hands.

OSLO also suffered from profit-taking and the all-share index fell 5.32 to 500.35.

COPENHAGEN fell across the board on worries about rising interest rates in Europe.

ASIA PACIFIC

Volume shrinks as yen continues its decline

Tokyo

ANOTHER rough day for the yen kept activity dismally low in Tokyo yesterday, but a resurgence of interest in specific issues gave share prices a slight lift, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average finished up 35.21 at 33,851.82 after moving within a fairly moderate range, from a high of 33,933.80 to a low of 33,706.87. Advances led declines by 484 to 395 while 202 issues were unchanged.

Turnover, however, was very low at 665.83m shares, against 725.96m on Tuesday. The Topix index of all listed shares added 1.88 to 2,509.73 and the ISE/Nikkei index rose 1.48 to 2,010.13 in later London trading.

The currency market was once again the main dampening influence on equities, as the yen slid further against the dollar to hit a low for the year before making a slight recovery later. The Bank of Japan's continuing efforts to support the faltering yen again proved mostly fruitless.

Investors, believing the yen is doomed to stay at its present low level for some time, were expecting an increase in Japan's official discount rate, possibly as early as tomorrow when the central bank is due to hold a policy meeting.

The main issue for the market, however, was no longer whether or not the discount rate would be raised but by how much. An increase of 0.5 per cent, which has been widely expected, was now considered too low to affect the currency market. An increase of 0.75 per cent, however, had not yet been allowed for, one analyst said. "The main problem for the market now is the uncertainty."

The currency situation kept institutional investors firmly rooted on the sidelines. Individual investors, however, were fairly active, making up a chunky 30 per cent of turnover according to one foreign broker. They focused on cheap issues in the medium to small capitalisation range.

Tokyo Steel Manufacturing, an independent electric furnace steelmaker, ranked third in volume terms with 19m shares and surged Y170 to Y4,430. The company was selected for its low price/earnings ratio of 26 and on the strength of a firm market for steel products. It was also popular on expectations that it would post record recurring profits for lat year and on rumours that it would allot gratis shares to shareholders.

In the same industry, Tokyo Tekko gained a strong Y260 to Y1,960 in active trading.

Interest recovered in some issues that have been neglected, notably in the housing sector and those that had fallen substantially, such as steels. Toda Construction advanced Y140 to Y1,710 in heavy trading. Sumitomo Metal, second on the volumes list with 20m shares, rose Y5 to Y908 and Nippon Steel firmed Y6 to Y900.

Individually, Japan Line and Yamashita Shinnihon Steamship were selected on their last day of trading before their suspension in preparation for merger. Japan Line, first in volume terms with 28m shares, increased Y18 to Y220 and Yamashita Shinnihon Steamship gained Y50 to Y560.

Domestic demand-related issues were selected in Osaka where the OSE average added 62.29 to 32,779.87. Turnover fell to 61.97m shares against 62.80m traded on Tuesday.

Roundup

OVERNIGHT losses in New York injected caution into Asia Pacific markets – although Hong Kong continued to be preoccupied by events in China – and profit-taking was the order of the day.

HONG KONG trading was again very active, with the Hang Seng index falling 58.92 to 3,008.73 on heavy turnover of HK$3.03bn, *writes Michael Murray in Hong Kong.*

The index zig-zagged erratically in a 130-point range as conflicting reports of the power struggle between reformist and hard line factions in Peking filtered into the market.

Mr Simon Chin, assistant director of research at brokers Citicorp Scrimgeour Vickers, said the market on Tuesday had been confidently betting on Li Peng stepping down as Chinese Prime Minister, but the picture had been clouded yesterday with new reports of military support for Li Peng and the toppling of Zhao Ziyang, Communist Party general secretary.

Mr Chin said shares in the commerce and industrial sectors had performed better than the market as a whole, and that utilities were also attracting buyers as part of investors' defensive strategies.

The property and finance sub indices bore the brunt of the losses. Brokers said the big institutional investors were tending to stay on the sidelines at present, wanting neither to enter the market nor dramatically to reduce their exposure to Hong Kong pending an outcome to China's political crisis.

At the futures exchange June Hang Seng index futures contracts fell by 65 points to 3,045 on heavy turnover of 3,345 lots, reflecting uncertainty over the course of the market in the near term.

AUSTRALIA succumbed to profit-taking after recent blue chip gains, as the overnight fall on Wall Street spurred overseas selling. The All Ordinaries index lost 12.5 to 1,571.2 in turnover of 110.7m shares worth A$252m.

Jennings Industries fell 2 cents to A$2.05 after a 3 per cent stake was sold by Industrial Equities to Fletcher Challenge.

SINGAPORE was jittery on the back of Wall Street's losses and the Straits Times industrial index fell 11.35 to 1,280.57.

Turnover slumped to 59.7m shares, the lowest since March 10, after reaching 92m shares on Tuesday.

SOUTH AFRICA

A SHARPLY weaker financial rand provided a boost for prices with Johannesburg shares ending mostly firmer after Tuesday's strong rally. Gold shares were steady to slightly firmer.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MAY 23 1989						MONDAY MAY 22 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (89)	136.33	+1.1	128.94	120.82	+0.0	4.65	134.78	126.43	120.80	157.12	128.28	129.01
Austria (19)	113.34	+1.6	107.20	117.99	+1.3	2.19	111.51	104.60	116.53	124.16	92.84	86.41
Belgium (63)	126.96	−1.1	120.08	131.65	−1.4	4.14	128.33	120.38	133.55	137.10	126.96	121.04
Canada (125)	136.50	−0.8	129.10	118.41	−0.6	3.34	137.53	129.01	119.11	138.05	124.67	116.17
Denmark (38)	171.72	+0.2	162.42	182.52	+0.0	1.84	171.44	160.82	182.46	181.03	165.35	125.85
Finland (26)	140.65	+0.6	133.03	131.59	+0.3	1.59	139.76	131.10	131.15	159.16	125.81	133.73
France (130)	112.91	+0.1	106.80	120.44	+0.0	3.12	112.85	105.86	120.42	122.79	112.57	89.65
West Germany (100)	79.56	−0.1	75.25	83.07	−0.1	2.44	79.63	74.70	83.20	90.40	79.56	73.71
Hong Kong (49)	129.98	+9.0	122.94	129.74	+8.9	4.16	119.29	111.90	119.12	140.33	111.80	99.57
Ireland (17)	137.29	−0.7	129.85	145.29	−0.7	2.90	138.32	129.75	146.32	151.36	125.00	126.11
Italy (98)	75.47	+0.1	71.38	82.04	+0.0	2.83	75.38	70.71	82.02	86.88	75.38	69.91
Japan (455)	178.77	−0.5	169.09	160.41	−0.6	0.47	179.61	168.48	161.27	200.11	178.77	171.07
Malaysia (36)	182.40	+0.5	172.52	188.83	+0.4	2.52	181.46	170.22	186.13	184.26	143.35	131.15
Mexico (13)	214.76	+2.7	203.13	577.74	+2.9	0.87	209.10	196.14	561.25	214.76	153.32	154.35
Netherland (42)	112.31	−0.1	106.22	116.00	−0.2	4.44	112.45	105.48	116.25	122.22	110.63	102.48
New Zealand (24)	68.34	+0.7	64.64	60.61	−0.1	6.08	67.84	63.64	60.69	76.02	66.84	79.78
Norway (26)	181.41	−1.6	171.59	177.86	−1.7	1.50	184.28	172.87	180.72	198.39	139.92	118.00
Singapore (26)	158.69	+0.3	150.09	142.85	−0.4	1.90	158.25	148.44	143.44	160.35	124.57	109.40
South Africa (60)	128.44	+1.5	121.48	116.26	+2.7	4.54	126.57	118.73	113.16	144.86	115.35	132.35
Spain (43)	148.24	+0.1	140.21	140.66	+0.1	3.56	148.09	138.91	140.57	156.17	143.14	149.71
Sweden (35)	157.57	−0.1	149.03	156.75	−0.6	2.19	157.73	147.96	157.67	162.00	136.45	122.96
Switzerland (57)	68.53	−0.1	64.82	75.94	−0.4	2.45	68.61	64.36	76.27	79.76	68.53	75.60
United Kingdom (314)	139.89	−1.6	132.31	132.31	−0.7	4.34	142.11	133.30	133.30	153.33	134.53	138.42
USA (558)	129.82	−1.1	122.79	129.82	−1.1	3.45	131.21	123.08	131.21	131.21	112.13	103.28
Europe (1008)	112.99	−0.7	106.87	112.97	−0.4	3.59	113.84	106.79	113.47	121.70	112.99	106.85
Nordic (125)	150.30	−0.1	142.16	147.08	−0.4	1.94	150.43	141.11	147.66	165.61	137.95	115.35
Pacific Basin (679)	174.99	−0.2	165.51	157.33	−0.3	0.69	175.41	164.54	157.87	194.72	174.99	166.62
Euro – Pacific (1687)	150.20	−0.4	142.07	139.64	−0.4	1.58	150.80	141.46	140.16	164.22	150.20	142.72
North America (683)	130.13	−1.0	123.08	129.11	−1.0	3.44	131.50	123.35	130.46	131.50	112.79	103.96
Europe Ex. UK (694)	96.30	−0.1	91.08	101.00	−0.2	2.99	96.37	90.40	101.18	105.29	96.30	87.33
Pacific Ex. Japan (224)	129.52	+3.5	122.50	118.44	+2.9	4.29	125.08	117.33	115.15	137.65	123.48	113.01
World Ex. US (1885)	149.55	−0.4	141.45	138.87	−0.4	1.66	150.14	140.83	139.36	162.77	149.55	141.71
World Ex. UK (2129)	141.67	−0.5	134.00	136.11	−0.6	2.05	142.41	133.59	136.89	146.04	138.06	125.76
World Ex. So. Af. (2383)	141.58	−0.6	133.91	135.88	−0.6	2.24	142.47	133.64	136.70	146.65	138.82	126.84
World Ex. Japan (1988)	123.80	−0.7	117.10	123.06	−0.6	3.54	124.69	116.97	123.84	126.02	114.51	105.67
The World Index (2443)	141.50	−0.6	133.84	135.74	−0.6	2.25	142.37	133.55	136.54	146.51	138.83	126.88

Latest prices were unavailable for this edition.
CONSTITUENT CHANGES (MAY 24): Deletions: Bell Group (Australia) and Immeubles de La Plaine Monceau (France). Name change: Middle South Utilities to Entergy Corp. (USA).

ACCOUNTANCY COLUMN

Ernst & Young to be near top of the league

By Richard Waters

THE CHAIRMAN of at least one other Big Eight accountancy firm claimed to be "underwhelmed" by news of the planned merger of Ernst & Whinney and Arthur Young last week. But it might still trigger the sort of consolidation for which the accountancy industry has been looking for several years.

After much number-crunching, the full implications of the merger are now becoming clear. The new firm, Ernst & Young, will be among the leaders, but will not outshine the existing firms in quite the way that some other combinations of the eight might have done.

Three conclusions emerge. First, in size terms, E&Y will be in the top three in many of the places that count. It is unlikely to emerge from the amalgamation as the world's number one. The fit is not as good as that of KMG and Peat Marwick, a merger it echoes faintly. That suggests that more than the 10 per cent of turnover lost in the KPMG deal will fall by the wayside.

The loss of one of the two firms' Canadian arms seems likely. Latest figures from the International Accounting Bulletin show that the two combined would be more than two and a half times as big as the nearest competitor in the country, almost certainly prompting government concern – even if the very different cultures of Clarkson Gordon (AY) and Thorne Ernst & Whinney could be combined. The loss of one of those firms alone would almost eliminate the gap between KPMG and a merged E&Y.

However, E&Y will be towards the top of the league both internationally and in many countries. In continental Europe the deal will help E&W to recover from the fragmentation of its own European firm four years ago. In the UK it seems that AY will be eaten up by E&W in much the same way that Peat Marwick digested Thomson McLintock (E&W has the profits and the client base to put it firmly in the driving seat).

These moves will not lead to the creation of a "mega-firm" to outshine all others. But it will push other firms further down the rankings, and so must have an effect on their market position.

The second consideration concerns clients. Perhaps more important than relative fee income is audit market share among international corporations, which form the core of the client lists of the top firms. An analysis of auditors of the US and European top 500s, and the UK top 1,000, shows that the new firm will lead in the US, but will still trail the likes of KPMG and Coopers in Europe. In the UK, the E&W client base (particularly in the top 100) gives the firm a strong position, but not a dominant one.

This analysis, like the size one, is inconclusive. The balance of power will shift, but not enough to prompt immediate reaction from competitors.

The third concern is image. After the merger, the accountancy business will be led by two firms with invisible international names: KPMG (still confusingly bearing the Peat Marwick name in most Anglo-Saxon countries) and E&Y. It will take considerable investment to promote those two if they are to displace the two strongest brand names in the business – Arthur Andersen and Price Waterhouse.

What of the others, which have neither size nor name to put them on top?

Coopers has a strong continental European presence and has got used to being among the leaders in the 80s.

Deloitte is following in its tracks, but still has some way to go, while Touche emerges as the weak member of the eight (a position it will feel all the more acutely with the disappearance of AY).

It is here that the pressure for merger is likely to arise. However, nobody is placing any bets on the next combination – at least, not this week.

Partners in the US may find themselves without jobs

PROSPECTIVE Ernst & Young partners in the US may soon discover themselves redundant, if the experiences of partners in Main Hurdman are anything to go by, writes Pratap Chatterjee in New York.

When KMG (the international association of which Main was a member) merged with Peat Marwick two years ago, more than 505 Main partners opted to stay with the new firm. Today just 170 (less than half that number) remain.

Many predict that if the proposed merger between Arthur Young and Ernst & Whinney goes ahead in the US, something similar will happen.

More than 100 former Main partners left Peat Marwick Main (the name of the new US firm) earlier this year when they were offered up to a year's remuneration as compensation and a waiver of the normal non-compete clause to leave the firm.

Mr Michael Rubio, a former Main partner who has taken $70,000 (£45,000) in business from Peat to a local Atlanta firm, Gifford, Hillegass & Ingwersen, said: "I felt under-employed as there wasn't enough work to go around." Mr Rubio has no special expertise. But his colleagues with specialist skills were given more work, he says.

The chairmen of E&W and AY will be preoccupied over the coming weeks with the task by reshuffling their existing partners into eight new industry practices and dividing these between their existing office space.

Mr William Gladstone, chairman of Arthur Young, said: "We have no intention of a rationalisation that would hurt a lot of people." But both chairmen admit that there would be duplication and that some people would have to go. Research and training will probably be the first to be scaled down, followed by staff from less specialised areas.

In the US, the Big Eight are facing stagnating growth, having already snapped up virtually every one of the top Fortune 500 companies between them. They averaged a 10 per cent growth in the US last year, less than second-tier firms and almost half the growth of their UK practices. Now they are under pressure from clients to cut costs.

The big US firms also realise that the main prospects for expansion lie outside their home base and the proposed merger is merely an indication of the firm's needs to consolidate in order to become more internationally driven.

Mr Russell Palmer, former chairman of Touche Ross International, now heading the Wharton Business school, predicts that there will be only five big accountancy firms left by the time the consolidations and merger mania ends.

E&W and AY first discussed merging in 1984 when Price Waterhouse and Deloitte Haskins and Sells almost tied the knot, but when that deal fell apart Ernst & Young was put on a back burner.

The latest plan was devised when Mr Gladstone met Mr Ray Groves, chairman of Ernst & Whinney in the US, for a routine meeting in New York on April 1. Their international partners were called together to agree the arrangement some six weeks later.

FINANCIAL CONTROLLER

Bristol

to £28,000 + Car

Investment Management is the core business of this wholly owned subsidiary. The Company's continued expansion has created an excellent opportunity for a qualified accountant to take a first position as Financial Controller.

This varied and demanding role carries responsibility for the production of management accounts, budgets and forecasts to support the Board of Directors. In addition this evolving role will encompass the development and supervision of the client account function. This is a role which is aimed at the high flier.

To be considered for this exciting position you will ideally be aged between 28 and 35, possibly with a financial services background, and seeking the opportunity to take the business through its next phase of expansion.

If you are interested in the above opportunity please phone 0272 221080 quoting reference number 123754/sxm or write enclosing your CV to

MANAGEMENT PERSONNEL
37-39 Corn Street, Bristol
Avon BS1 1HT

Management Personnel
RECRUITMENT SOLUTIONS
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SHERRY & HAYCOCK GROUP

GROUP FINANCE DIRECTOR (designate)

Ferndown, Dorset **c£35,000+car**

The group, privately owned, is a long established builders merchants and timber importer with five large depots covering the central Southern Counties. Turnover is currently around £30m. Profitability is good and the family directors are ambitious for further growth.

They are seeking an experienced, well *rounded accountant to help them run* and develop the group and take full personal responsibility for financial management, secretarial matters and computing, with the support of a well established team of staff. New Data General hardware, supporting up to date integrated commercial systems, was installed last year.

The role involves close liaison with the *management group, particularly in* budgeting and the monthly monitoring of performance at both *location* and subsidiary company levels.

Candidates must be qualified with management experience. Good commercial skills and business acumen will be valued as highly *as technical* ability. A good grasp of and affinity with commercial IT is essential.

Empathy with the special characteristics of a family run, private business and a sense of humour will be valued attributes.

An attractive salary, possibly higher than the above indicator, will be supported with profit share and other executive benefits. Appointment *to the* Board should follow within two years.

To apply, please send full career details to Mike Smith, quoting ref. S/ACM.

KPMG Peat Marwick McLintock
Executive Selection and Search
Abbots House, Abbey Street, Reading, Berkshire RG1 3BD

FINANCE DIRECTOR
(Designate)

Gloucestershire

Circa £25,000 + car + bonus, executive pension scheme, BUPA etc.

Our client is a successful and highly acquisitive Group with UK sites based in the Midlands area. They are a leading brand name manufacturer in FMCG, and have substantial overseas operations. Turnover is approaching £30m.

The Group wishes to appoint a Finance Director (Designate) for an £8m turnover subsidiary company based in a beautiful area of Gloucestershire. The successful applicant will form partof the site senior management team, reporting to the Managing Director. Formal appointment to the status of Director will follow a settling-in period. He/she will be of graduate calibre and ACA with in-depth experience of computerised financial accounts and management controls within a manufacturing environment. A high level of commercial awareness is essential as is the ability and enthusiasm to get to grips with the day-to-day operation, often at grass-roots level. *Some acquisitions knowledge would be* advantageous. The job holder will have frequent involvement with the Group Finance Director. There is a *high probability of some overseas* travel to Group companies in the future.

The position carries substantial opportunity for advancement, with excellent promotional prospects within the Group. The very attractive package will also include generous relocation assistance.

Full CV including current salary, marked confidential and quoting reference 1202 in the first instance to: L J Bradshaw Appointments Ltd., 36/38 Red Lion Street, Alvechurch, Nr Birmingham. B48 7LF.

Group Finance Director

West Yorkshire *£60–£70k + car + bonus + benefits*

If this sounds like you . . .

* Graduate Chartered Accountant;
* currently F.D. in a £60m+ organisation (or "No.2" to the F.D. in a bigger Group);
* PLC experience, preferably gained in manufacturing;
* significant involvement in acquisition/merger negotiations and liaising with Merchant Bankers, Stockbrokers and Lawyers;
* ability to develop into a general management or commercial role;

. . . read on.

Our client is a prestigious engineering PLC with turnover in excess of £100m p.a. Profitability is excellent, and the Group has ambitious plans for the future which will be achieved both through organic growth and acquisitions.

Candidates should fully match the demanding specification set out opposite, and be happy to relocate to Yorkshire (if necessary). In addition to a generous package, full relocation expenses are available.

To apply write to Elaine Draper with a brief career history, including details of current earnings, quoting reference FT/160. Please state names of any companies to whom your application should not be forwarded.

Deloitte Haskins+Sells
Management Consultancy Division
Cloth Hall Court, Infirmary Street, Leeds, West Yorkshire LS1 2HE

DIVISIONAL FINANCE DIRECTOR

Northants

£30,000 + Quality Car + Substantial Bonus

This newly created Division of five subsidiary companies is part of a major PLC Group involved in the manufacture and supply of building and construction products. The Division is currently turning over approximately £25m., a figure which is expected to double within the next three years.

The recently appointed Managing Director is seeking a Divisional Finance Director to act as his right hand. The candidate will have a wide ranging brief and together with the normal responsibilities in Financial Control and Administration, will be responsible for coordinanting the *accounting activities of the five companies within* the Division. Candidates would also have sufficient business acumen to become thoroughly involved in the Division's planning specifically in such areas as acquisition and strategic development.

Candidates are likely to be aged between 30 and 40, be formally qualified and have an established academic background. Experience will have been gained from a broad base of activities and should have included exposure *to the manufacturing sector* and *the tight requirements* necessitated by PLC reporting.

This position offers considerable job interest and autonomy within a rapidly growing Group.

In the first instance contact our retained advisors

F.T. Partnership

Fitz-Eylwin House, 25 Holborn Viaduct,
London EC1A 2BP
Telephone: 01-936-3311. *Fax:* 01-936 2122

CJA
RECRUITMENT CONSULTANTS GROUP
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Opportunity to head up accounting activities for a specific range of financial investments within 1–2 years.

CJRA

FINANCIAL ACCOUNTANT CAPITAL MARKETS

CITY **£22,000-£28,000 + BANK BENEFITS**

FAST GROWING AND WELL ESTABLISHED SECURITIES ARM OF MAJOR INTERNATIONAL BANK

Further expansion in the bank and in the Accounting and Control Division means that we now invite applications from Chartered Accountants aged 25+, *who must have had 1–2 years post qualification experience ideally in the financial sector* or in the relevant audit field. You will report to and support the Financial Controller and be responsible for supervising the preparation of reports to meet internal and regulatory requirements and assist in the systems development on a broad range of existing financial products and new instruments in the Eurobond primary and secondary markets. To work in this fast *moving and* constantly developing environment within a bank which is at the forefront in its field, you will need to be forward looking, have innovative ideas and be highly flexible to changing priorities. Ref: FA22369/FT.

CJRA

MANAGEMENT ACCOUNTANT PREFERABLY PART-QUALIFIED

CITY **HIGHLY NEGOTIABLE SALARY + BANK BENEFITS**

This same client also seeks applications from accountants who have preferably completed studies to at least level one/PE1 although experience is more important than formal qualifications. Your role will be to prepare and comment on the monthly financial packages, budget production and participation in the development of the financial management systems. Ref: MA22370/FT.

For both these appointments numeracy, whole-hearted dedication and the ability to work as part of a team are essential.

For this appointment we are particularly keen to hear from candidates in strict confidence by telephone on 01-628 0989 or alternatively in writing, quoting the appropriate reference number, when your reply will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE: 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.

Financial Controller

WEST LONDON

c.£30,000 + CAR AND PARTICIPATION

For a small but active technical services company which has recently been acquired by an expansion minded American corporation. Marketing to European countries from a UK base and the addition of new services could *produce a rapid growth in sales and* profits.

Responsibility is for all aspects of the company's accounting and financial management. Reporting will be to the UK General Manager and to the Chief Financial Officer in the USA, and there will be a real opportunity to assist in planning the company's expansion.

We would like to meet qualified accountants aged around 30 whose *industrial experience has been gained* with a forward looking organisation. Alternatively you could be seeking a move out of a top flight professional firm.

Résumés with a daytime telephone number to Edward Simpson Ref: 565, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ.

Executive Resourcing
Coopers & Lybrand

Finance Director

N. London **c£45,000 + Bonus + Share Options**

To join a new management team responsible for a £150m trading Division of an aggressive and fast expanding plc. This Division with over 100 outlets throughout the U.K. is currently undergoing a programme of reinvestment and re-alignment which will result in significant growth over the years ahead.

The Finance Director will work closely with the Chief Executive as a member of a small Divisional Board. The emphasis of the role is very much towards strong financial control, ensuring that new systems are developed to exercise that control, improve efficiency and optimise use of resources. This is a development role requiring energy and commitment.

Applicants should be qualified accountants aged 30-40 with significant experience of financial control in a multi-locational retail environment; previous experience of developing financial and management information systems is also important. Excellent communication skills together with a strong character and the ability to quickly gain the respect of colleagues and subordinates are among the personal attributes sought.

Interested applicants should write enclosing a comprehensive Curriculum Vitae and daytime telephone *number*, quoting Ref: 329 to Barry Ollier, BA, ACA, Whitehead Rice, 43 Welbeck Street, London W1M 7PG. Tel: 01-637 8736.

Whitehead Rice

MANAGEMENT SELECTION

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IMRO

Senior Officer Member Training

to £30,000 + benefits

IMRO is the SRO which regulates investment management throughout the UK. As a part of its drive to improve industry practices, IMRO is developing a training programme for its Members, comprising a series of workshops on its Rules and on related compliance issues. A new opportunity has arisen for a *high calibre individual* to work with the senior manager in the Compliance Department to develop and present the workshops. The job will involve an initial orientation period within the Compliance Department.

Candidates for this position will be graduates, possibly with an accountancy qualification. Excellent communication skills and industry knowledge are essential. Previous *involvement in regulation or compliance would be an advantage*, as would experience of training.

This is a high profile role and its importance is reflected in the competitive salary package which includes a car and mortgage subsidy.

For further details please contact **Karin Clarke** on *01-831 2000* or write to her at **Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

GROUP FINANCIAL CONTROLLER

West Midlands £40,000 + mortgage + car

A period of dramatic expansion and change over the last few years has transformed our client from a well established regional Building Society into a major financial services group with offices throughout the country. Acquisitions, diversification and growth will ensure not only a buoyant future for the group but also a wide range of exciting challenges for the new group finance function.

In order to meet these challenges the position of Group Financial Controller has been created. This is a vital role which will entail establishing a new group reporting and control function and introducing standards and systems throughout the subsidiaries to meet the statutory and commercial requirements of the business. The successful candidate will also be responsible for developing a team and structure capable of producing meaningful financial information to support the Board-level decision-making process and will work closely with the Treasury and Financial planning functions.

Reporting to the Group Financial Director, this is a very high profile role with substantial autonomy, significant Board-level exposure and close liaison with the subsidiary MDs and their managers. Candidates should be qualified accountants, probably in their mid 30's, who can demonstrate a record of achievement in a leading firm of accountants or a substantial quoted company. In order to succeed in this high pressure and rapidly developing environment, flexibility, resilience and ability to instigate and communicate new ideas at senior levels are essential qualities.

In addition to an attractive salary and benefits package, which includes relocation, this role carries with it genuine opportunities for real career progression.

Please reply in confidence, giving concise career, personal and salary details to Paul Carvosso, quoting Ref: L423.

Egor Executive Selection
58 St. James's Street
London SW1A 1LD (01-629 8070)

EGOR EXECUTIVE SELECTION

United Kingdom · Belgium · Denmark · France · Germany · Italy · Netherlands · Portugal · Spain

Manager -Corporate Accounting

Mid-Sussex c.£35,000 + car

Our clients are a long established financial services group with a turn-over approaching £100M and are part of a leading British group with diverse international interests. Following a major acquisition our clients are re-structuring their finance function and have identified this key role in the new organisation. Reporting to the Finance Director the person appointed will manage a small well-qualified department and be responsible for maintaining the highest standards of corporate accounting throughout the organisation. This will involve devising and implementing an enhanced programme of accounting policies and reporting deadlines, assisted by a substantial current investment in a new computer installation and bespoke software. Applicants should be Chartered Accountants in their 30's with a commitment to strong professional disciplines. They are likely, currently, to be a Manager in a "top 20" professional firm or holding a position of responsibility in the centre of a sizeable Group. Ref: 1698/FT. Send CV (with current salary and daytime telephone number) or write or phone for an application form to R A Phillips ACIS, FCII, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

Finance Director

Building Products
Circa. £35,000 + package
North West

Our client is a UK subsidiary of a Swedish parent company, with a £16m turnover and interests in the manufacture, marketing and distribution of fixing and cable management systems. Reporting to the managing director, the appointee will direct the finance function and contribute to strategic planning.

You will be responsible for maintaining high standards of control and prime responsibilities will include; financial and management accounting; budgetary control; treasury management; the development of computerised information systems; and company secretarial duties.

You will be a qualified accountant, ideally aged 32 - 40 with at least ten years experience. You will be able to demonstrate a successful career progression in a manufacturing environment, latterly at a senior level. Additionally you will have a "shirt-sleeves" approach and an enjoyment of dealing with a wide range of people in an environment of change.

An attractive package, reflecting the importance of the position will be available, including an executive car and the usual benefits associated with an appointment at this level.

Candidates can apply in confidence, enclosing a full CV and current salary details, quoting reference MCS 89/20 to Julie Erwin at

Price Waterhouse,
Management Consultants,
York House, York Street,
Manchester M2 4WS.

Price Waterhouse

Enterprise Oil

Manager UK Taxes

£Exceptional + Car + Stock Options

Enterprise Oil is Britain's leading independent oil exploration and production company. It has substantial operations both in the North Sea and internationally and is a major force in the industry.

Despite the weaker oil price, 1988 was another excellent year, with an increase in oil and gas reserves of 94%. The group progressed forcefully towards its objective of building an international exploration portfolio capable of adding equity reserves to the Group's asset base. Their activities in the first six months of 1989 have only underlined this dynamic expansion strategy.

As a result of this expansion they now seek to recruit an individual to assume a new proactive role within the head office finance function. The new incumbent would be expected to perform an advisory role for other departments within Enterprise and take responsibilities for managing the compliance of all UK tax activities. Initially there will be two people reporting directly to this post.

This high profile role will encompass a wide variety of managerial and advisory work including the following:

* Corporation Tax
* Petroleum Revenue Tax
* Acquisitions and disposals
* Financing and deal structuring.

It is envisaged that the successful applicant will currently hold a similar position within the oil industry.

Salary will be commensurate with the seniority of the appointment and will include the provision of an executive car. The successful applicant will also be eligible for participation in the Enterprise Oil Senior Executive Share Option Scheme.

To discover more regarding this exceptional opportunity contact **Graham King** or **Chris Nelson** on **01-831 2000** (evenings and weekends **01-556 6920**) or write to them at ***Michael Page Taxation*, 39-41 Parker Street, London WC2B 5LH.** In the first instance interested parties will receive a detailed job description and company information pack. Neither names nor details of respondents will be disclosed to the client without express permission.

Michael Page Taxation
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

New Appointment

Director — Finance and Administration

London SW1
c£35,000 + car + bonus + share options

We are recruiting on behalf of the British subsidiary of a major multi-national services group with headquarters in Paris. The UK company, a household name has enjoyed a strong market position for many years.

In order to facilitate the further development of the business, the company now wishes to strengthen its management team by the appointment of a director who will control all aspects of finance, data processing and administration within the company. Probably an accountant with at least three years post qualification experience, the selected candidate will possess a blend of finance, business and management skills and should have the capacity to develop as a contender for a senior general management position within the company.

The position calls for a pragmatic "hands-on" manager who also has the flair and ability to step back and take a broader strategic view.

As effective liaison with colleagues world wide is expected, a good working knowledge of French is considered desirable.

Salary will not be a limiting factor and will be enhanced by a fully expensed company car, bonus and a substantial benefits package which includes eligibility for a group share option scheme. Prospects in the medium term, both in the UK company and within the group world wide, are very attractive.

Send a full CV detailing your current salary and quoting reference number MCS/8860 to: Jim Mitchell
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

Financial Controller

Cambridge

ACAs 28-35 **to £30,000**

Our client is a young but fast-growing high technology company in Cambridge seeking to recruit a Financial Controller with the potential to become Finance Director in due course.

Reporting direct to the Managing Director, the role will comprise responsibility for all key finance areas and the formulation of commercial policies and procedures.

Candidates (male or female) should be able to demonstrate a good academic and professional examination record, have broadly based audit experience coupled with senior financial management experience in industry a first priority.

Prospects are excellent, in line with the company's planned rapid growth.

For more information please contact **George Ormerod BA (Oxon)** on **01-836 9501** or write with a copy of your CV to **Douglas Llambias Associates Limited at 410 Strand, London WC2R 0NS quoting reference No. 3124.**

DOUGLAS LLAMBIAS

Finance Manager

c.£26,000 + bonus + car · Aged late 20s

A broadly based group with a turnover of around £250m, Staveley is essentially decentralised subject to the monitoring of plans and performance by a small but highly professional Finance Department. Significant growth in the UK and USA has taken place in recent years and is planned to continue.

The person appointed will report to the Group Financial Controller and will be involved in research and investigation of possible acquisitions, capital investment appraisal, performance monitoring against budgets and the conduct of a wide range of ad hoc economic and financial studies both at home and abroad. The successful candidate will preferably be a Chartered Accountant with relevant experience. Most importantly, he or she will have been able to demonstrate a practical approach to business problems and the ability to establish good relationships with the management of operating companies. The job will involve travel both within the UK and the US.

Please write, with full details, to:
R.C. McDuell, Director of Personnel, Staveley Industries plc,
Staveley House, 11 Dingwall Road, Croydon CR9 3DB.
All replies will be treated in the strictest confidence.

Staveley Industries plc

Director of Audit

West of London — **£55,000 + Bonus and Car**

To work for the largest Division – turnover £1.5 billion, 23,000 employees – of a major PLC. Operations are principally retail related and there are some 3,000 High Street outlets.

The company has gone through a period of major change, developing a progressive, participative management style and promoting quality and high levels of customer service as key objectives. Subsidiary companies now have greater autonomy and are largely self-accounting. In turn, greater emphasis has been placed on effective systems and internal control. The Director of Audit will ensure these are implemented and then, supported by a team of twelve, develop a function which also focuses on qualitative and broader management issues. Within two to three years the appointee should have moved through to a line financial role.

Candidates, 30-35 must have excellent communication skills and a broad commercial perspective. They will either be at managerial level with a major practice or have 2/3 years post qualification experience with a sizeable group.

Interested applicants should write enclosing a comprehensive CV with daytime telephone number quoting Ref: 327 to Barry Ollier, BA, ACA, Whitehead Rice Ltd, 43 Welbeck Street, London W1M 7PG.

Whitehead Rice

MANAGEMENT SELECTION

Financial Director

East Midlands — **c£30,000 + Bonus + Car**

With an annual turnover in excess of £45 million, our client is a leading name in the food processing industry. As an autonomous group of companies within the European Division of a US multi-national corporation, they process both branded and private label foods from a number of sites in England.

The Financial Director will be responsible for the effective management and leadership of the Finance Department, with particular emphasis on the management information systems and cash management. This will also require a high degree of input on all commercial aspects of the business.

The successful candidate will

★ be aged in their late 30's/early 40's.
★ be a qualified accountant of graduate calibre.
★ have around 5 years' experience at Board level.
★ have experience, preferably in food processing, or a related industry.
★ possess the ability and drive to progress to a Managing Director's position in the future.
★ receive an excellent remuneration package including a bonus of around 20% of basic salary.

Please reply in confidence, enclosing a comprehensive CV to Paul MacIldowie ACA, Executive Division at Michael Page Finance, Imperial Building, Victoria Street, Nottingham NG1 2EX.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

FINANCIAL CONTROLLER

Property Development

c£30,000 + bonus + car

Partly owned through a joint venture by the highly regarded and dynamic property group, **London & Edinburgh Trust PLC**, our client specialises in the retail market place. Currently small, the company has negotiated additional funding and is poised for rapid expansion.

Based in London, the Financial Controller will be responsible for the full financial and administrative function. In a 'greenfield' situation, he or she will establish procedures, implement systems and prepare and present information. It is expected that the Controller will spend up to half the time in non-accounting matters – planning, deal making and negotiations – and that he or she will have the opportunity to influence the direction of this small self-contained business.

In their late 20s, applicants should be graduate Chartered Accountants, ideally with commercial experience, who wish to participate in all aspects of a growing company.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/831/F.

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

Director of Financial Services

Midlands

£Substantial + Executive Package

One of the Midlands major employers. An innovative successful market leader with an enviable reputation within its highly competitive industrial sector. Prolonged growth being the basis of planned organic and acquired expansion. A newly created position to facilitate continued success.

This newly created post will report to and work very closely with the Financial Director. Responsibilities, through a team of senior managers, will be for corporate finance, taxation, audit and treasury. Additionally, there will be extensive high profile involvement with the city and analysts with mergers and acquisitions work playing a significant role in the overall remit of the position.

The extent of the management involvement combined with the innovation and determination required to achieve the growth and change demanded indicates that a professional of the highest calibre is required. It is therefore suggested that only candidates aged over 35 and currently earning in excess of £38K would have the necessary experience.

Interested candidates should submit a detailed cv to Peter Hall or David Hollins, LINK Management Selection, 8 Regent Street, Nottingham or alternatively telephone for an application form on 0602 412500 during office hours or 0788 543369 between 8pm and 10pm any evening, including weekends, quoting reference 14076.

LINK

Financial Controller/ Company Secretary

London W1 — **Up to £30,000 + Car**

This new appointment, arising out of our client's continuing development, offers a suitably qualified candidate, aged 30-40, an ideal opportunity to join a profitable, fully-listed PLC. Engaged in industrial distribution, the Group is poised on the threshold of a period of substantial growth, mainly by acquisition. The successful applicant will be expected to play a major role in the Group's development. Working closely with the Financial Director and supported by locally based qualified staff, he/she will have particular responsibility for the preparation of group forecasts, monthly and statutory accounts and overseeing the quality control of the group's internal accounting functions. In addition, the role of Company Secretary not only encompasses the normal statutory functions but will include responsibility for group pensions, insurances and advising on all matters affecting property. Ref: 2112/FT. Write or telephone for an application form or send full details (with daytime telephone number and current salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB.
Tel: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

UNIQUE OVERSEAS OPPORTUNITY

Financial Manager — **Initially City Based**

£30,000 + Car and Extensive Benefits

The International trading and finance arm of one of the UK's leading plcs are further developing their interests in Africa, Australasia and the Pacific region. The management team which is highly autonomous, small and cohesive is currently implementing plans for further geographical and product diversification.

As part of this programme they wish to appoint a chartered accountant during the first half of 1990 to assume financial responsibility for three group companies in a highly desirable part of East Africa maintaining a close reporting relationship with the London Head Office. A three year secondment in Africa is envisaged but longer term career prospects with the group are extensive.

Initially the successful candidate will be attached to a project team based in Head Office reviewing the company's accounting, reporting and operating systems. This role will provide valuable access to all aspects of the company and its activities.

If you are aged under 35, qualified (CA) and looking for a very high level of management responsibility within a major international group, please write enclosing a full CV to **Ian R Hetherington**, Advisor to the Company at 66-67 Wells Street, London W1 or telephone him on 078 087 496 (day or evening).

The Wentworth Consultancy

Financial Accountant

A consulting approach to accounting management

Surrey

Spillers Foods Ltd is a major force in the increasing and highly competitive pet foods market, producing such well known brands as Winalot, Bonio, Kattomeat, Choosy and Shapes.

We are now looking to strengthen our Financial Accounts team at Head Office. Reporting to the Financial Manager, you will be responsible, with a team of two, for providing periodic accounts, VAT costings and returns, maintaining computerised data, insurance policies, control of centralised nominal ledger used by Head Office and the factory sites. The role will demand development skills to review company wide financial systems and the creation of a financial systems manual.

You will be a qualified accountant and possess excellent communication and analytical skills.

Salary will be dependent on age and experience.
A company car is provided in addition to large Company benefits.

Please send a copy of your CV to Francesca Rennix, Personnel Manager, Spillers Foods Ltd, New Malden House, New Malden, Surrey. Tel: 01-949 6100.

SPILLERS
FOODS LTD

APPOINTMENTS WANTED

MATURE FINANCIAL DIRECTOR

Wealth of experience in manufacturing and across the board. Availability July onwards. Preferably S.E. area.

Write Box A1242, Financial Times, One Southwark Bridge, London SE1 9HL

FINANCIAL DIRECTOR

East Midlands — **c.£35,000 + Exec Car + Benefits**

An unrivalled opportunity to join a major distribution company now presents itself with our prestigious client, part of a highly successful public group.

The business currently turns over in excess of £25m and has a high growth rate resulting from sound marketing, reliability and product excellence.

FCA, and probably over 35, your role involves commercial and strategic management as well as embracing the DP function ensuring the smooth flow of timely financial management information.

Exceptional communicative skills are required to compliment commitment and expertise and, as a full member of a dynamic and enthusiastic Board, your skill will be tested as never before.

For further information please contact Tom Burke, quoting ref: 89E/239 at Daniels Bates Partnership Ltd., Yorkshire Bank Chambers, 11a Smithy Row, Nottingham NG1 2BY or telephone him on (0602) 483321.

Daniels Bates Partnership
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Middlesbrough (0642) 248111
Darlington (0325) 485992
Aylesbury (0296) 393040
Hull (0482) 26382

APPOINTMENTS ADVERTISING

For further information

call 01-873 3000

Deirdre McCarthy ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

Candida Raymond ext 3351

FINANCIAL CONTROLLER LONDON

A challenging new position has arisen in a rapidly expanding international property group currently based in SW7, but shortly moving to Victoria. The situation requires a suitable experienced, qualified accountant aged 30+, to be responsible for the group's accounting requirements, controlling a property portfolio of circa £400 million. Duties to include cash management, budgets etc. and close liason with the group's management team. The salary is negotiable

Contact Mike Smith on 01-651 3477.

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Recruitment & Personnel Services Survey

due to appear on June 24th 1989

has been postponed and will now appear on September 20th 1989

Please call Louise Hunter Appointments Advertisement Manager for further information on 873 3588

Appointments Advertising

appears every

Monday	Legal Appointments
Wednesday	General Appointments
Thursday	Accountancy Appointments

هكذا أحسن الأصل

هكذا من الأصل

TAXATION RECRUITMENT CONSULTANTS

Group Tax Manager

West London **c.£45,000 + car + benefits**

Our client, a major plc and household name, is seeking to recruit an experienced corporate tax specialist to head the tax department. The group, which has a turnover of c. £2bn with interests principally in the UK and North America, is currently following a policy of rapid acquisition and expansion.

The company is involved in a range of activites including the manufacture, distribution and retail of consumer goods.

Reporting to the Finance Director, with a small team, the successful candidate will have responsibility for UK and overseas tax planning and compliance, and will be required to liaise at the highest level of management. A particularly important part of the role will be the management of the strategic tax implications of the group's expansion.

Candidates, male or female, should be either ACAs or Ex Revenue with at least 3 years experience in industry or at a senior level in Public Practice.

Applications should be sent to **Stephen Hackett, Douglas Llambias Associates Limited, 410 Strand, London WC2R 0NS** or for more information, please phone **01-836 9501.**

DOUGLAS LLAMBIAS

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APPOINTMENTS ADVERTISING

For further information call 01-873 3000

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Elizabeth Rowan ext 3456

Patrick Williams ext 3694

UK Finance Director (Designate)

The Mark of Success through Managing Finance

Maidenhead c.£40K + executive car

TETRA is the business software success story of the 1980's. Established 10 years ago, we have grown organically by over 100% per year for each of the last five years. We now employ over 450 people and our turnover for 1988 exceeded £15 million; our targets for 1989 and beyond are equally ambitious.

We are now intent on increasing our presence in overseas markets and following the formation of a Group structure, we have created the position of UK Finance Director (designate) reporting to the newly appointed UK Managing Director.

You will be used to the challenges of a dynamic, fast growing business which requires constant evaluation and development of reporting systems.

As a senior member of the management team, participation in the achievement of the ambitious goals set for the UK companies is expected. Key tasks will be the production and presentation of monthly results, budgets and forecasts, the appraisal of profit opportunities and the wider distribution of financial knowledge and awareness throughout the company. In addition the personal development of our talented finance team will be a vital task.

A qualified accountant, aged 30-40 years, you must be able to demonstrate a strong track record of achievement with the ambition to achieve more.

The remuneration package is consistent with the importance we place on this key role and includes a fully expensed car, personal pension plan and the kind of benefits associated with a leading company.

Please send CV, stating your reason for wanting to join in our success, to: Raymond Fagan FCCA, Group Finance Director, Tetra Limited, Foundation House, Concorde Road, Maidenhead, Berkshire SL6 4BX.

TETRA

Financial Director

London

c £70,000, Car, Benefits

This London based financial services company, part of a prestigious overseas Group is poised for immediate and significant growth. Reporting to the Managing Director, responsibility will be to provide board level financial input into major decision and policy making as well as the day to day financial management of the company.

This is a highly visible role which requires an ambitious high calibre professional. Candidates aged 30-40 ideally holding an ACA or ACCA qualification and possibly with other third level qualifications, should have successfully held a senior position in a blue chip strongly managed developing organisation.

Excellent man-management skills, the ability to develop and implement good financial systems and the personal authority to manage organisational growth and change are all important.

The environment is dynamic and particularly challenging where only the highest standards will be acceptable. Remuneration will not be an inhibiting factor in this project.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *M. Gould, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-734 6852, Fax: 01-734 3738, quoting Ref: H13079/FT.*

Hoggett Bowers

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A Member of Blue Arrow plc

FINANCIAL DIRECTOR CONSTRUCTION

BEAUTIFUL SUFFOLK EXCELLENT SALARY NEGOTIABLE + CAR

Our client is a successful and growing construction company based in Bury St. Edmunds. Current turnover is above £10M p.a. and embraces contracting, housing, development and property management. Due to reorganisation, an excellent opportunity has arisen for a mature and experience Accountant to take complete control of the Company's accounts and financial functions. As Financial Director, he/she will become one of the Director team involved in the total running of the Company, and essential requirements are:-

- several years' experience at senior level and with a construction company
- deep accounting, financial and commercial acumen and detailed experience of the use of computers in a construction company
- the ability to lead by example, work in a team and be acceptable as a person

This challenging opportunity will suit an Accountant in their 30's who is prepared to assist in the further development of the Company/

Besides a negotiated salary, benefits include prestige car, pension and life insurance and health scheme; assistance with removals if necessary.

Please send full c.v. or telephone for an applications form to:-

The Appointments Secretary
Building Advisory Service
4 Printing House Yard
London E2 7PR.
Tel: 01-739-4666

SPECIALIST RECRUITMENT CONSULTANTS TO THE CONSTRUCTION INDUSTRY

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Financial Director

HIGH PROFILE PLC GROUP

WEST MIDLANDS

c£35,000 + Car + Benefits

The status and branding of our Client's Services portfolio cannot be challenged as they can already claim a commanding position within their billion pound market place. This particular brief is yet another in a long line of business sector building and strategic targeting to meet the needs of the 1990's and beyond. This position allows for great autonomy and could lead to a more senior role in the future.

Reporting to the Managing Director, the successful candidate will be responsible for all financial and management accounting, credit control and Claims and Insurance functions. As a member of the Board, the Finance Director will also be required to contribute to corporate strategy and wider management issues.

Applicants should be professionally qualified, ambitious, commercial pro-active accountants with a wide ranging and successful track record. Equally as important will be skills in man management and communications. In other words a nimble strategist and fleet footed tactician.

Please apply in writing enclosing an up-to-date C.V. quoting reference number MWM/2669 to Michael Maule, Illingworth & Associates, Executive Search and Selection Consultants, The Courtyard, 24 High Street, Hungerford, Berks. RG17 0NF. Telephone: (0488) 83881.

Illingworth

MANAGEMENT CONSULTANTS

GROUP TREASURER SURREY

This is a newly defined appointment with a major international service industry PLC to head up a professional and dynamic profit centre at the Corporate HQ.

With over 45 operating subsidiaries world wide, substantial capital facilities, a large pension fund investment portfolio and other major investments, sound and efficient treasury management is paramount.

Responsibilities will include initiation and implementation of treasury policy, daily management of cash, liaison with investment and other specialist advisers, UK and international tax affairs together with VAT and matters concerning corporate structure.

Probably aged 40+ a mature personality and member of one of the recognised professional bodies, the highest standard of personal integrity and inter personal and communication skills are mandatory. Experience in a senior treasury post in a major PLC plus some background with City institutions would be ideal.

Of sufficient stature to warrant early consideration for a subsidiary board appointment an appropriate salary and benefits package including a car will be negotiated. Those currently earning less than £40,000 will be unlikely to have the relevant experience.

Please write in confidence to:

THE EXECUTIVE RECRUITMENT CONSULTANT,
CONTRACT 2000 GROUP,
SUTTON PARK HOUSE, 15 CARSHALTON ROAD,
SUTTON, SURREY, SM1 4LE.
QUOTING REFERENCE OH/15.

CONTRACT 2000 STAFF SPECIALIST

KEY GROUP NUMBER TWO ACCOUNTING ROLE

HIGH WYCOMBE, c£27K, car

Our client company provides a first class range of products and services to 'blue chip' companies throughout the UK. Established for 18 years, it is now in a rapid growth phase both in our two UK companies and in our recently established USA organisation. We need a capable back up to the FD, to ensure that systems are developed and operate efficiently, that reporting deadlines are met and in general that the Accounts Department provides a highly professional service. This is an excellent opportunity for a QUALIFIED or NEARLY QUALIFIED Accountant, who is keen to take up a position of substantial responsibility as a career move, in a company with considerable potential. Terms of employment are excellent and include a fully expensed car, pension scheme and private health care.

Please apply in writing enclosing a CV and quoting current salary details to Ian Hewitt FCCA, Herbert Pepper & Rudland, Chartered Accountants, 51 Castle Street, High Wycombe, Bucks. Tel: 0494 436135.

CHIEF ACCOUNTANT

Central London **To £32,500 + benefits**

Our clients are a rapidly expanding medium-sized firm of Chartered Accountants based in central London.

They require a highly competent qualified accountant to head up their internal finance function. The Chief Accountant will be responsible for running the accounting department, which has six staff, including the timely preparation of monthly management accounts and the preparation of budgets. There will also be involvement in general administrative duties.

The accounting system is fully computerised and, therefore, the successful candidate will have proven computer skills including the use of spreadsheets. Our clients are looking for an individual with energy and common sense who can demonstrate commitment, enthusiasm and a flexible approach to work. Experience of working in a professional firm would be an advantage. The preferred age range is 35–45.

Please send full career details in the first instance to The Appointments Manager, Bartlett Advertising Ltd, Bartlett House, Greenhill's Rents, Smithfield, London EC1M 6HS. Please list separately any company to whom you do not wish your details to be sent.

Bartlett advertising ltd

Finance Director

Responsibility, challenge, and further progression linked to our expansion.

"Are you keeping your eyes on the board and playing to win?"

You feel that it's time you took on a challenging role with an established, expanding concern. Well, you can. Join our Client as their London based Finance Director. Already highly successful manufacturers and distributors of a broad range of internationally known toys and games, they have recently doubled their size with a recent French acquisition - which has given them a turnover of over £20 million.

Reporting directly to the Managing Director, and as a Board member, you'll be responsible for controlling and streamlining all financial and accounting procedures, particularly with regard to production, labour, and cost control through an integrated computer business system. Your progression will be linked to our growth, as we see your development as a key Board member. So you should be dynamic, self-motivated and highly analytical. You will, most probably, be qualified with experience gained in a multi-national corporation. You should have some knowledge of manufacturing, and be familiar with fully integrated data processing systems. Good French is essential, as you will deal with our sister company in France and travel to Europe regularly.

We can offer you a good starting salary, bonus, car and an excellent benefits package.

To apply, please write, enclosing a full CV, to:

THE SEARCH PARTNERS

INTERNATIONAL

Recruitment Consultants

59 Catherine Place, London SW1E 6DY.

Telephone 01-630 9477.

Calgary Dusseldorf London Montreal Ottawa Toronto Vancouver Zurich

TAX CONSULTANTS

LONDON **to £50,000 + BENEFITS**

We are currently acting on behalf of a leading tax consultancy, who are seeking to recruit several high calibre Corporate and Personal tax specialists.

It is envisaged that successful candidates will be ACA, ATII, Solicitors or Barristers, and possess a minimum of 3 years taxation experience gained in a recognised professional environment.

In both instances, attractive salary packages will be offered together with scope for individual career development.

Please call **Vivienne Row** on **01-405 4571** (eves. w/ends **01-886 4169**), or write to her at the address below.

A M S

Applied Management Sciences Ltd
17 Bedford Row, London WC1R 4EB
Tel 01-405 4571 Fax 01-242 1411

FREELANCE FCA

City based(26 years).
Available immediately for short or long term assignment.

Write box A1236,Financial Times,Number One,Southwark Bridge,London,SE1 9HL.

FINANCIAL CONTROLLER

LONDON MAYFAIR £30,000 + CAR AND BENEFITS

Noble Hotels is a newly formed hotel management company which is a wholly owned subsidiary of a UK based international trading group.

A Chartered Accountant (age 28-40) who has in-depth experience in this specialised field, is now being sought to join as Financial Controller.

Reporting to the Managing Director, the Financial Controller will assist in the identification and exploitation of business opportunities, and be responsible for the implementation of financial controls and accounting procedures.

The successful candidate will have good interpersonal skills, have a positive approach, be proactive and be able to keep pace with the growth of this company. Experience of computerised hotel management information systems is essential.

Please send career to date and personal details to:

David Heaton, Noble Raredon plc,
73 South Audley Street,
Mayfair, London W1Y 5FF

NOBLE HOTELS

GROUP FINANCIAL CONTROLLER

Thames Valley — **Package c £50,000**

Our client, an international £700m turnover plc, has diversified manufacturing interests *mostly in consumer products*. A recent reorganisation has led to the need to strengthen the group finance function and to appoint an experienced Group Financial Controller.

Reporting to the Finance Director, this is a key management and catalytic role encompassing all aspects of financial planning and control. Key needs are to *improve the quality* of interpretation of financial information for management, to enliven management reporting and control and to improve financial control competencies throughout the Group.

Candidates, preferably graduates in their 40's, must be qualified accountants (ACA or ACMA), and have both practical management accounting experience in a manufacturing environment together with success in a central office function for a diversified group. The ability to effect change at both Group and operating level is vital, and acquisition experience would be a further advantage. The right candidates *will be intelligent, flexible, credible* and persuasive with high energy.

Remuneration package will include a significant base salary, bonus scheme, executive car, other major Group benefits and relocation expenses, if appropriate, to our client's West of London location.

Please write with full CV and details of present remuneration quoting ref: 1577 to:- John Little, Bull Thompson & Associates, Alliance House, 63 St Martin's Lane, London WC2N 4JX, who is advising on this appointment.

Bull Thompson

LONDON · BIRMINGHAM · LEEDS · MANCHESTER

PILKINGTON plc

GROUP RISK/ INSURANCE MANAGER

North West — **£32,000 plus + Car + Benefits**

Pilkington plc seeks to appoint an experienced Risk/Insurance Manager to be responsible, through the Group Financial Controller, to the Main Board for protecting all aspects of the Group's business from loss. The successful applicant will introduce risk management techniques relating to the Group, its employees, its products and their users and the public, as well as arranging appropriate insurance cover on a worldwide basis. The job holder will advise on appropriate levels of self insurance and manage the Group's captive insurance company. *UK and overseas travel will be necessary.*

Pilkington is the world's leading glass company operating in over 30 countries. Worldwide *turnover is £2,300m and profits before tax in excess of £300m.*

Candidates must be of graduate calibre with not less than 5 years' relevant experience *providing similar services at a senior level for an international manufacturing company.*

A competitive remuneration and benefits package will include removal assistance where appropriate.

Applications should be made to: Mr. C. M. Bishop, Personnel Co-ordinator, Central Services, Pilkington plc, Prescot Road, St. Helens, Merseyside WA10 3TT.

PILKINGTON

TAXATION MANAGER

Holborn c.£35K + Executive Car + Benefits

As a billion pound business, including a substantial trading element, London Electricity serves the electrical needs of over four million Londoners and is fast approaching flotation into the private sector.

To meet the exciting challenge of privatisation, we are seeking to recruit a Taxation Manager to enhance our tax expertise and strengthen our Financial Management team.

Reporting to the Finance Director, the appointee will develop and implement effective taxation policies to support the growing business and its strategy. The role will entail leading a small team involved in introducing compliance procedures for the future. There will be wide ranging opportunities including involvement in potential joint ventures and diversification.

Candidates are likely to possess an accountancy qualification with a tax bias, but good commercial experience and the ability to advise on a wide range of proposals are of paramount importance. Drive, enthusiasm, interpersonal and organisational skills as well as technical taxation expertise are the essential qualities needed to plan, implement and achieve an overall tax strategy for the company.

In addition to the salary, an attractive benefits package includes a quality car, membership of an excellent pension scheme and relocation assistance where appropriate.

Please apply in writing with detailed cv stating current salary (quoting ref TM/FT/5) to Malcolm Boyd, Personnel Director, LONDON ELECTRICITY, Templar House, 81/87 High Holborn, London WC1V 6NU.

Closing date for applications 7.6.89.

LONDON ELECTRICITY IS AN EQUAL OPPORTUNITIES EMPLOYER.

THE POWER BEHIND LONDON

Management Accountant

Herts — ***to £25,000 + car***

A successful manufacturing Group, a subsidiary of a major UK plc, has an outstanding opportunity for a young career minded accountant to join the management team at its Group Headquarters.

The Group comprises a number of decentralised subsidiary companies with combined *annual turnover approaching* £500 m. There are substantial interests in the US, and there will be significant further growth by both organic expansion and acquisition.

Reporting *to the Group Financial* Controller, you will liaise closely with the business finance managers to monitor, control and develop the Group's business information requirements. Additional duties will include *special projects, with particular* emphasis on reporting requirements in new acquisitions. The job will involve regular travel to subsidiary locations.

There are excellent career prospects for an ambitious Qualified Accountant with sound commercial experience and an analytical approach to problem solving.

For an application form or initial *discussion*, please contact Lisa Booth on 01-439 5782 (01-494 1093 evenings/weekends). Alternatively, send her your c.v. at Austin Knight Selection, 20 Soho Square, London W1A 1DS quoting *reference 971/LB/89.*

Austin Knight Selection

Taxation Advisor
Corporate Finance

Our client is one of the world's largest and most respected financial institutions. With a highly extensive network based in 22 countries, it offers a comprehensive range of financial services, and by the innovation and management of change, it has developed new markets and new products in order to meet its customers' needs.

They now wish to recruit a taxation accountant to work within their corporate finance team. He or she will be primarily responsible for all technical advice relating to investment in Europe, incorporating finance, taxation, structure and location decisions, and will also play a direct part in identifying and negotiating deals. *Ideally you will be an ACA with at least 2 years'* post qualification experience in a corporate finance or commercial environment requiring a thorough knowledge of international corporate taxation.

With very strong interpersonal skills, you will be confident, *outgoing* and not afraid of hard work. Rewards attached to this challenging position are excellent and emphasise the importance our client places on its staff. For further information please contact **Jane Hayes ACA on 01-831 2000 or write to her at Michael Page Taxation, 39-41 Parker Street, London WC2B 5LH.**

MP

Michael Page Taxation

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

FINANCIAL CONTROLLER AND COMPANY SECRETARY

A London based Shipping Company and wholly owned subsidiary of a publicly traded U S Corporation are seeking to appoint a Financial Controller and Company Secretary, reporting directly to the Managing Director.

This position will encompass the following:-

Full responsibility for all financial reporting, including monthly reports to U S parent Company and Statutory Accounts

Supervise all accounting functions

Liase with external auditors on Statutory accounts and taxation matters

Ensure that all Statutory filings and legal formalities are performed

Candidates should be qualified Chartered Accountants, preferably between the ages of 30-40 and full conversant with a computerised accounting system. Knowledge of shipping would be an advantage.

Appliants should send a comprehensive Curriculum Vitae, including salary history to:

Managing Director
Rowbotham Tankships Ltd
Glen House
Stag Place
London
SW1E 5AD

GROUP FINANCIAL CONTROLLER

Surrey — **£30-35,000 + car**

Hawthorn Leslie Group plc is an acquisitive, fast-growing, broadly based industrial holding company whose interests include London Car Telephones and companies in electrical distribution and consumer electronics. Quoted on the USM with a market capitalisation exceeding £120m, development within the group has led to a senior Finance opportunity.

The new Group Finance Director requires a high calibre Financial Controller with strong inter-personal skills as a member of the corporate team. Major challenges will include:

- Providing the Group board with high quality management information on company financial and business performance.
- Investigating potential acquisitions.
- Reviewing and monitoring budgets and forecasts.
- Central Treasury function
- Co-ordinating final accounts and interim announcements.

Candidates, who should be qualified accountants with sound practical accounting skills and the personality to fit in with management in a lean fast-moving environment, should write with full CV to:

Group Finance Director, Hawthorn Leslie Group plc
9 The Parade, Epsom, Surrey, KT18 5DF

FINANCE DIRECTOR...

...WITH AN EQUITY SHARE IN FUTURE SUCCESS

M4 Corridor — **£25K + equity + car**

This is a rare opportunity to join, and invest in, a **high-tech start-up company** with exceptional growth potential. **Future** *Digital Systems Ltd design, manufacture* and *distribute* high margin, low volume PCBs aimed at niche markets in the digital signal processing arena. Backed by a leading **financial institution** they seek a Finance Director to complete their senior management team.

He/she will be a qualified accountant, with some systems development experience and familiarity with working in a rapidly-growing high-tech environment. Personal characteristics include a team player with **entrepreneurial flair, high drive** and commitment and a flexible attitude to work.

The package includes the opportunity to subscribe for an *equity stake, initially* a basic salary of £25K and a company car. Other benefits will follow in due course.

For further details telephone **Windsor (0753) 857175 (24 hrs), or write with CV to Peter A. Page, Human Resources, 3i Consultants Ltd, 8 High Street, Windsor, Berks SL4 1LD, quoting Ref: PP/853.**

3i Consultants Ltd
Human Resources

A WEALTH OF EXPERIENCE

Chief Internal Auditor

Overseas

Required by a very large and multi-faceted corporation overseas *to take charge* of the appraisal and evaluation of financial and operational controls throughout various companies, and to devise improvements in order to contribute constructively to the *achievement of* a high standard of efficiency and economic management.

Heading a team *of qualified* personnel supported by staff under training, the successful candidate will be well qualified professionally and will have many years of relevant experience at a level similar to that proposed.

A contract with benefits and a remuneration package suitable to the seniority of the *post will be* discussed at interview, due to be held in London in early June.

Please apply *immediately* in writing, enclosing a comprehensive C.V. to:– D. Nelson (Confidential) 63 High Street, Ashford, Kent TN24 8SG.

SAXON INNS

CHARTERED ACCOUNTANT
for
SAXON INNS LTD

Saxon Inns *is a small* expanding public house/restaurant group based in the City. The Company is currently pursuing a rapid development programme with the objective of creating a large estate of managed public houses in the *Greater London* area.

The applicant will have qualified with a major firm of chartered accountants and be fully versed in the operation of a computer based accounts system. He/she must control an expanding accounts department with the ability to work under pressure and provide accurate financial information to the operating divisions.

This position offers entry to an entrepreneurial organisation at the early stages of development.

Salary and conditions negotiable with share option scheme.

Apply in confidence to Managing Director, Saxon Inns Ltd., 142-146, Whitecross Street, London EC1Y 8QJ.

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION
REPORT ON UNICHEM LIMITED

Notice published by the Secretary of State under section 10(4)(b) of the Competition Act 1980 and section 91 (2) of the Fair Trading Act 1973.

Proposed order under section 10(1) and (2)(a) and (b) of the Competition Act 1980 and section 90(4) of, and paragraphs 1 and 2 of Schedule 8 to, the Fair Trading Act 1973, as applied by section 10(4)(a) and (d) of the Competition Act 1980, in relation to the arrangements and proposed arrangements for the allotment of shares in the capital of Unichem Limited.

1. Section 91(2) of the Fair Trading Act 1973 ("the 1973 Act"), as applied by section 10(4)(b) of the Competition Act 1980 ("the 1980 Act"), requires the Secretary of State, before making an order under section 10 of the 1980 Act, to publish, in such manner as appears to him to be appropriate, a notice:

(a) stating his intention to make the order;

(b) indicating the nature of the provisions to be embodied in the order; and

(c) stating that any person whose interests are likely to be affected by the order, and who is desirous of making representations in respect of it, should do so in writing (stating his interest and the grounds on which he wishes to make the representations) before a date specified in the notice (that date being not earlier than the end of the period of thirty days beginning with the day on which the publication of the notice is completed).

2. The Secretary of State is required by section 91(2) of the 1973 Act to consider any representations duly made to him in accordance with the notice before the date specified in the notice.

3. *The Secretary of State accordingly hereby gives notice that following* receipt of the report of the Monopolies and Mergers Commission entitled "Unichem Limited - a report on Unichem's arrangements and proposed arrangements for the allotment of shares in its capital" ("the Report") presented to Parliament by the Secretary of State for Trade and Industry by command of Her Majesty on 17 May 1989 (Cm. 691) he intends to make an order under section 10(1) and (2)(a) and (b) of the 1980 Act and section 90(4) of, and paragraphs 1 and 2 of Schedule 8 to, the 1973 Act, as applied by section 10(4)(a) and (d) of the 1980 Act. The order will be made (to the extent that it is made under section 10(2)(b) of the 1980 Act) for the purpose of remedying or preventing adverse effects specified in the Report.

Summary of proposed provisions

4. The order will prohibit Unichem Limited ("Unichem") from continuing to operate its "Share Scheme" under which shares will be allotted by reference to the amounts of goods and services acquired from Unichem, except in respect of allotment by reference to goods and services acquired by 17 May 1989. Unichem may not make or carry out any agreement in respect of allotment by *reference to later* acquisitions of goods or services.

5. Unichem must also hold its minimum purchase qualification for continued *membership to £3,000 per month and its initial share subscription* qualification to 200 per premises, up to a maximum of 1,000.

Details of proposed provisions

6. The nature of the provisions to be embodied in the order is as follows:

(a) Unichem must not engage in the anti-competitive practice of allocating future allotment of shares in Unichem by reference to the amounts of goods and services severally acquired from Unichem by the prospective holders of these shares, or pursue any other course of conduct which is similar in form and effect to that practice;

(b) but this will not prohibit Unichem from allocating shares by reference to amounts of goods and services acquired from Unichem on or before 17 May 1989;

(c) the practice referred to in (a) above is more particularly described in paragraph 6.15 of the Report and referred to in the Report as the "Share Scheme";

(d) paragraph (e) below applies to any agreement which provides that shares in Unichem will be allotted to any party to the agreement or any other person by reference to the amount of goods and services acquired from Unichem after 17 May 1989 by any party to the agreement or any other person;

(e) it will be unlawful for Unichem to make an agreement to which this paragraph applies, or to carry out any such agreement (including any agreement already in existence on the *making of the* order, which will be not earlier than 26 June 1989) except (in the case of an agreement made before the date on which the order comes into force (likely to be 3 July 1989)) to the extent that Unichem is able to carry *it out* without allotting shares by reference to the amount of goods and services acquired after 17 May 1989;

(f) paragraph (g) below applies to any agreement under which it is a condition of the acquisition or retention of membership of Unichem that -

(i) the member purchases from Unichem not less than a specified amount of ethical pharmaceutical products, the amount being specified *by reference to a* value per month greater than £3,000, or

(ii) - the prospective member subscribes *for a number of shares* greater than

- two hundred each separate premises at which he sells pharmaceutical products or

- one thousand,

which ever is less;

(g) it will be unlawful for Unichem to make an agreement to which this paragraph applies, or to carry out any such agreement made after 17 May 1989, except (in the case of an agreement made before the date *on which the order comes into force*) to the extent that the condition mentioned in (f) above is applied as if the amount referred to in (f)(i) were specified by reference to a value per month not greater than £3,000 or *(as the case may be)* the number of shares referred to in (f)(ii) above were not greater than two hundred for each separate premises or one thousand, whichever is less.

7. Any person whose interests are likely to be affected by the order, and who is desirous of making representations in respect of it, should do so in writing to Mrs C E Bell, Department of Trade and Industry, Room 641, 1-19 Victoria Street, London SW1H 0ET (stating his interest and the grounds on which he wishes to make the representations) before 26 June 1989.

C E Bell
An Assistant Secretary of the
Department of Trade and Industry

SECTION III

FINANCIAL TIMES SURVEY

Exchange rates no longer obey the forecasters. Indeed, capital flows now appear to be the dominant force on forex markets. Volatility this month followed a period of relative calm that had lessened the need for official intervention, says Peter Norman.

CONTENTS

Foreign Exchange

A play with no script

THE CENTRAL bankers and politicians who aspire to maintain order on the world's currency markets were given a salutary lesson earlier this month.

The dollar's advance through the DM1.90 barrier on May 8, after central banks had tried in vain for several days to restrain its rise, was a reminder that foreign exchange markets nowadays pay scant regard to the consensus views of economists and politicians.

For years, conventional wisdom has been that the dollar is vulnerable to weakness, because of the huge and persistent imbalance between the current account surpluses of West Germany and Japan, and the US's $135bn annual current account deficit.

The goal of currency stability, espoused by the Group of Seven leading industrial countries since the signing of the Louvre Accord in February 1987, has been largely motivated through fear that a free fall of the dollar would produce a sharp deterioration in world economic conditions.

However, with foreign exchange controls being cut back or dismantled in countries as far apart as Italy and Taiwan, flows of funds can be a far more potent force in determining currency values than any concern about economic fundamentals.

That was the case earlier this month, when strong demand for high-yielding dollar assets from fund managers in Europe and the Far East pushed the US currency through levels widely regarded as the upper limit for the dollar under the secret terms of the Louvre Accord.

The sheer unpredictability of exchange rates will ensure full employment for foreign exchange dealers, analysts and central bankers as long as there is more than one currency in the world. But a climatic change may have come over foreign exchange markets in recent months.

The recent tussle between the dollar bulls and the central bankers brought back memories of the noise and panic that marked currency crises in the 1970s and early 1980s. Otherwise, for long serving traders, foreign exchange markets have been uncannily calm over the past 17 months, compared with most of the preceding 17 years.

Partly this was due to chance: all three of the world's key currencies have failed to follow the script of economic pundits since the beginning of 1988. The downward realignment of the dollar from the giddy heights it reached in 1985 has halted and been partly reversed. The Japanese yen no longer soars into the stratosphere. The traditionally strong Deutsche Mark has been weak against major currencies outside the European Monetary System, helping avoid a realignment against its satellite currencies in the EMS.

The dramatic movements on which foreign exchange traders depend for high profits instead occurred in the second-string G7 currencies. The Canadian dollar, for example, has gained more than 10 per cent on a trade-weighted basis in the past year and a half, because of the Bank of Canada's extremely tight counter-inflationary monetary policy. Sterling has become vulnerable, having rapidly lost the hard currency allure of spring 1988, when Chancellor of the Exchequer Nigel Lawson tried in vain to peg it at DM3. High-yielding, semi-exotic currencies, such as the Australian dollar and Spanish peseta, have moved in and out of favour, attracting speculative attention in the process.

After being battered by the markets in 1987, the central banks of the Group of Seven nations – the US, Japan, West Germany, France, Britain, Italy and Canada – appeared earlier this year to have broadly fulfilled the objective, set in the G7's February 1987 Louvre Accord, of keeping currencies stable.

Through 1988 and the early part of this year, the external value of the dollar fluctuated in relatively narrow bounds, in contrast to its sharp rise in the early 1980s and its subsequent 42 per cent fall between February 1985 and the end of 1987.

But, as this month's events indicate, it would be wrong to view recent trends as evidence of stability. The increased importance given to combatting inflation in all industrial countries has strengthened domestic priorities in the setting of monetary and exchange rate policies.

The recent relative calm may turn out to have been no more than an uneasy equilibrium of specific market related factors, political developments in the major industrial countries, capital flows and macroeconomic developments that together lessened the need for heavy handed central bank intervention.

To understand recent developments, it is necessary to go back to early 1988. That was when the central banks of the major industrial countries inflicted heavy financial losses on a number of market operators that had aggressively oversold the dollar.

The central banks bought around $4bn over two trading days, and in the process are thought to have cost the foreign exchange departments of several banks between one and two months' profits. These were particularly significant losses in the wake of the October 1987 stock market crash. Whether in consequence or by coincidence, several large banks, most notably Bankers Trust of the US, cut back their speculative operations in the market.

That shock created a new balance in the relationship between traders and monetary authorities. Until this month forex operators were generally willing to play along with the G7 aim of maintaining currency stability by taking small but assured profits, after pushing currencies close to the supposed but unpublished intervention limits between G7 currencies.

Like currency traders, the G7 authorities also learned to adapt. Not only have some of the Louvre Accord intervention levels been revised, but it has been operated as a "soft" system in which the participating central banks have at times accepted currency movements that go beyond the perceived fluctuation margins of the G7 agreements. That has been one factor behind a much reduced scale of currency intervention by central banks in the past 17 months.

Initially, the 1988 "bear squeeze" administered by the central banks was reinforced by an improvement in economic fundamentals. The US current account deficit declined in the first half of last year, while the surpluses in Japan and some of the newly industrialising economies of Asia fell.

Last year's unexpected strength in economic activity in the major industrial nations also helped stabilise the dollar as the Federal Reserve, the US central bank, moved earlier than other countries to tighten monetary policy. That shifted the interest differential in favour of the US currency against the Japanese yen and continental European currencies.

A special factor promoting equilibrium has been a massive capital outflow from West Germany, precipitated by the Bonn government's announcement in autumn 1987 of a 10 per cent withholding tax on D-Mark assets. West Germany's DM85bn current account surplus last year was more than offset by a DM121bn outflow of long- and short-term capital. The D-Mark lost its former lustre and required Bundesbank support of DM35bn last year.

The D-Mark's weakness has had one positive effect. It has promoted stability in the European Monetary System, despite West Germany's ballooning trade surpluses with its EMS partners.

The weakness of the D-Mark has been reinforced this year by political events. Disarray in West Germany's ruling centre-right coalition and a split in the Bundesbank's decision-making central council over April's increase in the West German discount rate, to 4.5 from 4 per cent, have offset any potential gains for the D-Mark from Bonn's decision to withdraw the withholding tax from July 1.

In Japan, the Recruit scandal has undermined confidence in the yen. It remains to be seen whether the resignation of Prime Minister Noboru Takeshita marks the end of the affair or only the beginning of a new chapter.

The dollar, by contrast, has strengthened, despite the somewhat uneven performance of the Bush administration. Fund managers have shrugged off embarrassments such as President Bush's failure to secure Senator John Tower as his defence secretary. Dire warnings early in April from the IMF, that failure to cut US domestic demand could trigger a sharp drop in the dollar's value and much higher US interest rates, have gone unheeded. The dubious arithmetic of the Spring Budget compromise between the Administration and Congress has had no visible impact on confidence.

The IMF and any number of respected economic institutes have forecast a further worsen

Continued on next page

MONETARY REFORM: **Peter Norman on the Delors report and beyond**

Proposals for union create discord

IT IS easy to be cynical about the idea of international monetary reform.

Ever since the Bretton Woods system of fixed exchange rates collapsed in the monetary chaos of the early 1970s, there have been calls for a reform of the international monetary system.

Just as medieval man hankered after a reconstruction of the Roman Empire, such hopes have tended to focus on a possible rebuilding of Bretton Woods, in the belief that a return to more orderly conditions would somehow recreate the high-growth and low-inflation climate of the post-war "golden age" of the 1950s and early 1960s.

In recent years, the decisions of the Group of Seven major industrial nations to co-operate closely on monetary issues have seemed at times to herald a breakthrough.

If nothing else, the September 1985 Plaza Agreement, to devalue the then overvalued dollar, and the February 1987 Louvre Accord, to promote currency stability, were evidence of profound dissatisfaction with the more extreme effects of the floating exchange rate regime that came into being in 1973.

But rising inflationary pressures in the industrial world and the October 1987 stock market crash put paid – for the time being, at least – to the more extravagant hopes that pragmatic co-operation between the US, Japan, West Germany, France, Britain, Italy and Canada might be the start of a new world monetary order.

Ideas, such as those put forward in September 1987 by Mr Nigel Lawson, the British Chancellor of the Exchequer, to develop G7 co-operation into a system of "managed floating" have had to be shelved.

Little is now heard of the process of mutual surveillance, by which the major countries would co-ordinate their policies with reference to an agreed set of mutually acceptable economic indicators. This idea, which was vigorously promoted by the former US Treasury Secretary Mr James Baker, has spawned regular meetings of international monetary officials, but had no perceptible impact on the international economic problems that it was supposed to correct, such as the huge imbalance between the the US current account deficit and the surpluses of Japan and West Germany.

At one point last year, it looked as if international monetary reform might feature on the agenda of this year's G7 economic summit in Paris. This is now unlikely, because the senior G7 finance ministry officials charged a year ago with studying how to improve the working of the international monetary system have so far come to no clear conclusions. Instead, they have been fully occupied drawing up new plans to ease the Third World debt crisis.

And yet, 1989 may go down in history as a year in which ideas for reform received a major boost. The unanimously agreed report of the 17-strong committee of 12 European Community central bank governors and four outside experts under the chairmanship of Jacques Delors, the EC commission president, has put economic and monetary reform back on the international agenda, but in a regional rather than a global context.

The unanimously agreed report means that 1989 may go down in history as a year in which ideas for reform received a major boost

The 38-page Delors report plots a three-stage route to economic and monetary union for the EC, culminating in a common currency and an independent European System of Central Banks (ESCB). It is not a precise blueprint, and it contains no timetable for action. Moreover, it points out that difficult political decisions, which mainly concern greater integration of non-monetary policies, will have to be tackled if ever the idea of union is realised.

But the report is unambiguous in regarding union as a goal at which the EC should aim. It suggests that the 12-member states should agree that a decision to enter the first stage of the three-stage process to union should be a decision to embark on the whole process. In this respect, it has provided a clear platform for political action.

It has also turned out to be a cause of political discord. Both Mr Lawson and the British prime minister, Mrs Margaret Thatcher, have flatly rejected the idea of union as involving an unacceptable loss of sovereignty.

However, a head of steam has built up in support of the report elsewhere in Europe, which ensures that it will be debated at the Madrid Summit of EC leaders at the end of June with the aim of reaching at least some decisions at their next meeting in France at the end of this year.

The first stage of the three-stage move towards union would aim at a greater convergence of economic performance in the EC, with all 12 countries becoming full members of the European Monetary System.

The ESCB would come to life in the second stage, which would be contingent on changes to the EC treaties requiring unanimous support from all member states. The transition from co-ordinating national monetary policies to formulating and implementing a common monetary policy would begin. During this phase, the margins of fluctuation in the EMS exchange rate mechanism would be narrowed in preparation for union.

The final stage would start with an irrevocable move to lock exchange rates. Rules governing co-ordination in the macro-economic and budgetary spheres of policy would become binding. The EC Council of Ministers, in co-operation with the European Parliament, would be empowered, among other things, to interfere with national budgets, while the ESCB would take responsibility for formulating and implementing monetary policy in the EC.

It remains to be seen how far this complex and ambitious programme gets. But the Delors committee did not report in a vacuum.

It seems unlikely that European ideas will find imitators abroad

■ The EMS, set up in March 1979 to limit currency fluctuations among eight of the 12 EC nations, has defied the sceptics. West Germany, France, Italy, the Benelux countries, Denmark and Ireland can look back on a 10-year record of currency stability that compares very favourably with the wild gyrations of free-floating currencies such as the British pound (which, although a member of the EMS, does not participate in the EMS exchange rate mechanism) and the US dollar and Japanese yen.

■ The 1992 programme for a barrier free European internal market has given a major impetus to talk of more economic cohesion. With Europe dismantling internal barriers to trade, businessmen increasingly question why the region should have 11 currencies and 12 monetary authorities and all the inconvenience that entails.

It seems unlikely, however, that European ideas for economic and monetary union will quickly find imitators abroad, despite growing international interdependence and much talk of a "tri-polar world" centred on the EC, Japan and the United States.

Japan, while saying it supports the idea of internationalising the yen, is making painfully slow progress towards this goal. The yen's share of global currency reserves, for example, increased to only 8 per cent last year from 7 per cent in 1987.

Canada, meanwhile, is determined to keep the floating exchange rate system that has served it well for 54 years so far this century. This is despite conducting 80 per cent of its trade with the US and concluding the US-Canada trade agreement, which will eventually eliminate all duties on bilateral transactions between the two nations.

Mr Nigel Lawson (pictured after a G5 meeting in April) has rejected the idea of union

THE DOLLAR

Policies of G7 and Fed are the key pillars

THE US dollar has appreciated by more than 10 per cent since Mr George Bush was elected president; and in recent evidence to the Senate Banking Committee his chief economic adviser, Dr Michael Boskin, suggested that this might be read as a financial-market tribute to the President.

It seems unlikely that even the more partisan Republicans in his audience believed this. The Bush era has started unimpressively.

It is true that the President did move quickly to address one festering financial sore, which had been neglected under President Reagan. His reconstruction plan for the bankrupt part of the savings and loan industry has, on the whole, been welcomed. Some critics regard it as superficial, because it addresses symptoms rather than root causes, but they concede that it is a great deal better than nothing.

The Brady "plan" (the Treasury Secretary himself describes it as a "suggestion") for the partial relief of developing-country debt, on the other hand, is now widely attacked as inadequate in scale and dangerously vague in conception; it has certainly won few votes of confidence from the banking community.

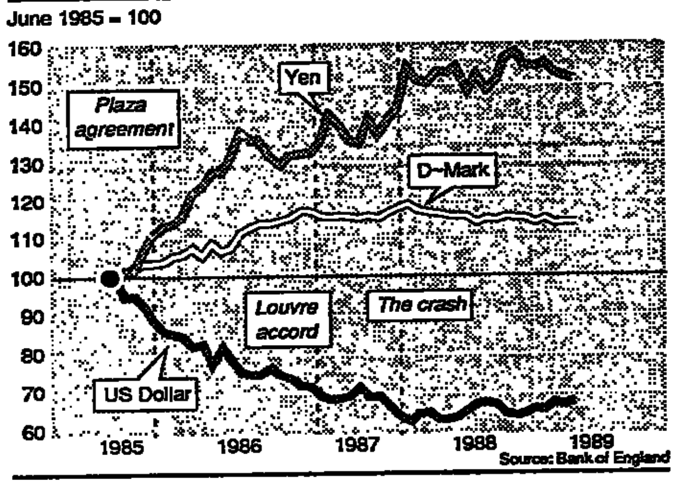
Apart from these two initiatives, the record remains largely a blank, or worse. The bipartisan budget agreement was introduced with apologies and denounced as a fraud. Trade policy is a worrying blend of conciliatory statements of principle and aggressive threats. International relations are also poor on a personal level.

Foreign finance and trade ministers and officials have been so unimpressed with some of their opposite numbers that they have forgotten the usual diplomatic courtesies, and said so; many they have been unable to meet, because their appointment is yet to be confirmed. This is not the kind of performance which wins a vote of confidence.

To be sure, financial values are relative, and in recent weeks at least it can be argued that the dollar's strength has little to do with the US: it is simply the mirror image of the weakness of the yen and the Deutsche Mark. There is surely no need to list the political reasons for this weakness: all the main surplus countries have unstable governments at the moment. Mr Bush is at least popular and secure, even though he is an unexpectedly slow starter.

While the Government procrastinates, however, two bodies do have policies which impress the market, and which combined to support the dollar: the Federal Reserve and the Group of Seven. The Fed has stuck stubbornly to its policy of gradual deflation, and the fact that it is publicly criticised by the Republican right, and subjected to anxious appeals from the President himself, makes its resolve look more impressive. Most important, of course, the policy entails relatively high interest rates.

How the 3 main currencies have moved



The combination of these high rates with the semi-secret target zones for exchange rates adopted by the Group of Seven, and supported by heavy market intervention, is a virtual guarantee of a strong dollar. International investors feel secure in holding the stabilised dollar, unless their demand drives the rate well above what is thought to be the upper official limit. Only at this point does the perceived downside risk balance the attraction of a higher running return.

Unfortunately this perfectly logical trading is generally discussed in terms of a virility contest, in which the market "tests the resolve" of the central bankers – bridge players might call this a "discovery play", which would sound less aggressive. A rise in the dollar is treated as a victory over officialdom.

During early May, the authorities tried to cover their embarrassment with a series of public statements of unconcern: each apparently complaisant word drove the dollar up another yen or so. The market would be much more likely to stabilise if the central bankers sounded worried.

Each of the authorities' apparently complaisant words drove the dollar up another yen or so

None of this, however, accounts for the persistent strength of the dollar throughout 1989. The explanation is certainly to be found in the policies of the Federal Reserve: whether this justifies praise or blame is partly a matter of prejudice, and partly a technical question.

The case in favour of the Fed is simple: its policies have been steadily applied, and have apparently achieved the objective the Governors set for themselves, a persistent but measured pressure against inflation, without running the risk either of a sharp recession or of further damage to the already over-stretched credit system.

The minutes of the Federal Open Market Committee show that their main public preoccupations are with the real economy – with bottlenecks, capacity utilisation, and especially with wage pressures. Privately, it goes without saying, they are also much concerned with strains in the banking system and in over-geared corporations. They see themselves, as Governors frequently say in their speeches, as treading a narrow path, and with some skill.

The Fed's critics accept this account of its policies, and base their charges on it. The path of policy may look steady, but the course of monetary growth is not. M2, generally regarded as the most reliable of the monetary aggregates, has been growing below the rate of inflation this year, and bank reserves have actually been shrinking as corporate borrowers have turned from the banks to the short-term money market for their needs.

The attempt to fine-tune the real economy – the prime sin in the monetarist calendar – has destabilised the financial system, say these critics. The money numbers, the exchange rate and even the price of gold are cited to show that policy has been too tight. A new school looks at the world-wide supply of dollars to the banking system, counting the foreign central banks and the US commercial banks, to make much the same point.

This view has some historic plausibility: the weakness of the dollar under President Carter, when the US money supply was growing slowly but foreign dollar reserves were exploding, followed by its excessive strength when Mr Paul Volcker's policies put a squeeze on foreign reserves, fit the picture.

However, most assertions of this kind depend crucially on the choice of base date – over what period has money growth been too fast, or two slow? We may have to wait for the economic historians to settle the question. What seems likely is that their dollar chapter will give a lot of space to the Fed, and a fair amount to the Group of Seven; but President Bush may find himself relegated to the footnotes.

Anthony Harris

A play with no script

Continued from previous page

ing of the annual US current account deficit to around \$150bn by the end of this decade, and warned of the dangers implicit in the ever-greater accumulation of indebtedness by the world's leading industrial nation.

But for the time being, at least, the anonymous fund managers in charge of the massive surplus savings of central Europe and East Asia seem content to ignore such worries, and continue financing the US deficits.

The world's monetary authorities, meanwhile, can only muddle through and marvel that the brave new world of free-flowing capital is keeping the oft-forecast global economic crisis at bay.

Simon Holberton assesses the role of the central banks

Testing the limits after a year of qualified success

CENTRAL BANKERS live mostly for the moment. So with the dollar having recently surged above its desired level against the Deutsche Mark and the yen, the central banks' success in managing currencies last year appears just cold comfort.

It was, by any yardstick, a remarkable achievement. After 1987 when, through support for the dollar, central banks funded anywhere between \$80bn to \$140bn of the US current account deficit on the balance of payments, they scraped by last year with a contribution of less than \$10bn to the funding of excess US consumption.

However, the central banks' success last year has to be qualified, and not just in the light of recent dollar strength. It could not have happened if the international investment community had not decided, as it did in the second quarter of last year, that the dollar had bottomed-out and that their dollar portfolios should once again be rebuilt.

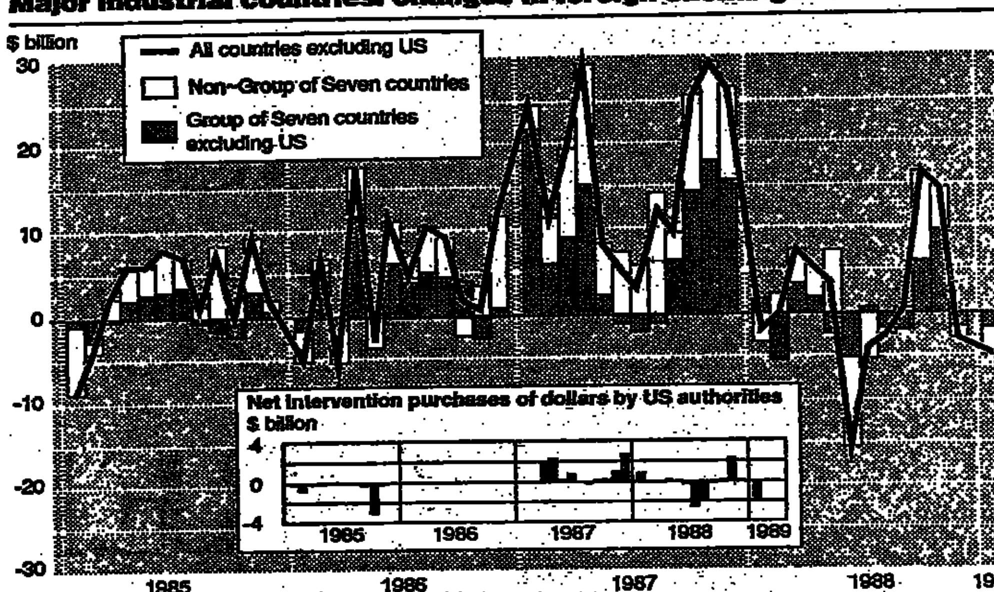
Between April and June, the move into the dollar happened with a speed unparalleled in recent times: \$41bn flowed into the US in the form of direct and portfolio investment. Over the next six months foreigners committed another \$31bn to the US. Looking back, at 1987 and early 1988, one central banker says: "We only did it in our role of lender of last resort. How long would the collective will have held? I don't know."

The opposite problem faces the world's leading central banks now, following the dollar's recent rise above its desired level. And, it appears, the US currency has done this for remarkably similar reasons to this time a year ago: the international investor has rediscovered the importance of US equities and Treasury bonds.

Central bankers, who operate their government's policies, are now beginning to question the wisdom of pursuing exchange rate objectives which have little little support in the foreign exchange markets. The costs of meeting specific exchange rate objectives – much, much higher interest rates, massive intervention or both – may undermine the need to sustain output and bear down on inflation.

At bottom, however, central banking on a day-to-day basis is about tactics and timing. As many central bankers concede, if the market is determined to move a currency in a particular direction then no amount of intervention will change it.

Major industrial countries: changes in foreign exchange reserves



The UK authorities know it; so does the West German Bundesbank. Both countries were forced, throughout the course of 1988 (and for the Bundesbank, into 1989 as well), to raise domestic interest rates to support the value of their currencies.

In their exchange market operations the central banks are in the business of dealing at the margin and up until recently they have been doing it extremely successfully. "Concerted" and "co-ordinated" are the two hackneyed terms used to describe a process that is conducted initially via a telephone hook-up in the European morning of every day. Up to 17 central banks participate in a conversation, which covers the events overnight in the Far East and pressures or opportunities in the day ahead.

At the operational level, the process of concerted intervention usually proceeds, according to one participant, with a telephone call (usually) from the Bundesbank. The Bundesbank is the key here, because of its linch-pin role within the European Monetary System which allows it to judge the consequences for the exchange rate mechanism of intervention.

The Bundesbank will tell its colleagues in other central banks that it plans to do something (buy or sell dollars), and willinvite them to participate. Each bank is free to participate or not, depending on how it sees the priorities.

But central bankers appear to be saying "yes" more often these days. And their show of unity has had, until recently, a fair share of success. For almost the past year they had been successful in keeping the dollar in a range of around DM1.70 to around DM1.90, although not even the collective will of most European and North American central banks acting in concert could hold the line against the market.

Still, as Mr George Magnus, international economist at S.G.Warburg, the London-based securities house, says: "Without question, the central banks collectively have advanced a long way up the learning curve when it comes to managing the foreign exchange market."

A recent analysis of developments in the foreign exchange market by the International Monetary Fund concurs. It gave pride of place to the new-found spirit of co-operation that exists among the Group of Seven leading industrial countries. The origin of this co-operative spirit is, the IMF said, the Louvre Accord of February 1987 and they ways it has been given effect by the G7 central banks.

"The influence of reported intervention on exchange rate developments appeared to derive partly from its effects on market perceptions of official objectives," the IMF wrote. "It often seemed to be interpreted by market participants as indicating limits of exchange variation considered appropriate by the authorities of the G7 countries, and it also sometimes appeared to be seen as demonstrating the seriousness of official exchange rate objectives."

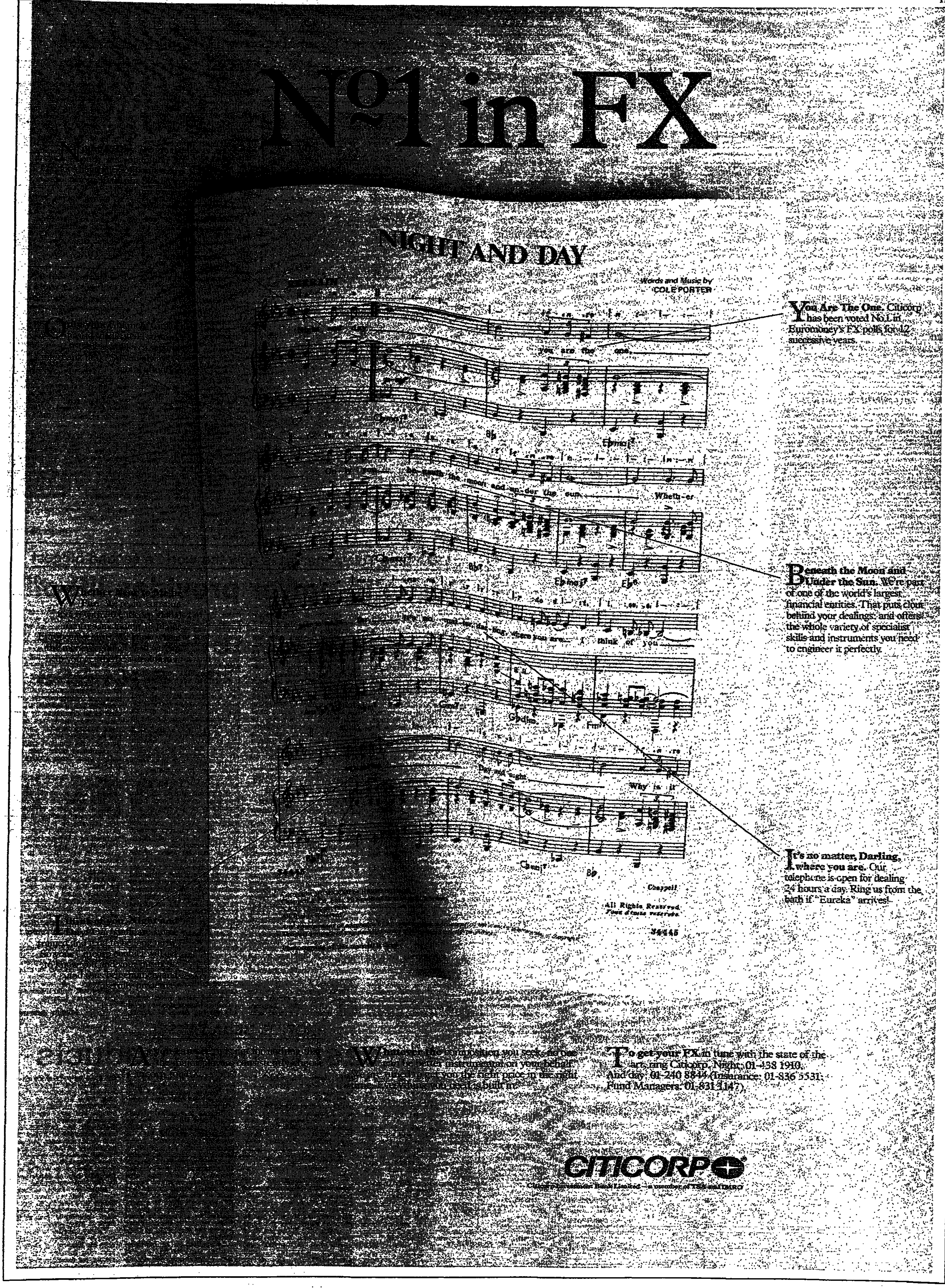
The process of intervention has also received a boost from the US Treasury, an institution not known for its whole-hearted support for exchange market intervention. Last October, in its six monthly report to Congress, the Treasury changed its line and highlighted the increased the markets' sensitivity to and awareness of official intentions.

"Key to the growing effectiveness of G7 co-operation on exchange rates is precisely that it has reflected close consultations and specific understandings on objectives and responsibilities," the Treasury said.

But if the central banks and finance ministries of the G7 countries can justifiably feel pleased with themselves, they run the risk of diminishing the effectiveness of intervention through its frequent use. Might not the markets become less sensitive to exchange market intervention?

"There is a danger of intervening too often," concedes one central banker. "But if you do a couple of million a day, then that leaves you room to do more if you need to. What we try to do is the minimum to make the market think again, to make it aware of its own vulnerability."

Intervention can work for a long time but, as David Morrison, international economist at Goldman Sachs in London, points out, intervention needs strong underpinning from consistent economic policies.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THE EMS

Flexible and robust

IT HAS become a tired cliché, but the European Monetary System, 10 years old this year, does seem to have achieved the aim of creators and become a "zone of currency stability".

This month, the EMS celebrates the 27th consecutive month of relatively trouble-free operation, a period of stability equal only to that between March 1983 and July 1985. Against all the predictions of analysts a year ago, the parities which determine the maximum and minimum variation of the currencies within the exchange rate mechanism (ERM) of the EMS have not been realigned since January 1987.

Problems with the French franc, the Italian lira and the

Although strains appeared, serious tensions in the system have been limited, for three main reasons

Danish krone (currencies seen by analysts as the most troublesome to the EMS), which would have been serious enough to force a realignment, failed to happen. And when strains did appear, the system proved flexible and robust enough to survive them. Serious tensions have been limited for three main reasons:

■ First, the EMS is at its most vulnerable when the dollar is weak and the Deutsche Mark, the anchor of the EMS, is strong. Over the past year that relationships has been reversed. The dollar has been generally strong, while the D-Mark has tended to be weak.

This has been reflected in a changed use of the D-Mark for purposes of intervention to maintain the stability of the EMS. During 1988, the Bundesbank allowed net DM11.4bn purchases in support of the D-Mark. This compares with net sales of DM29.7bn in 1987, when the D-Mark was relatively strong.

■ A second factor limiting tensions has been the convergence of economic performance, especially in terms of inflation, among the members of the ERM. At the end of 1988 the differential between West Germany's inflation rate and those of France and Italy was the smallest since the early 1970s. two percentage points, in the case of France and four percentage points in Italy's case. This convergence has helped underwrite the currency parities in the ERM.

■ Third, there has been greater co-operation between the monetary authorities of the ERM countries, especially on exchange market intervention and the manipulation of short-term money market interest rates.

The agreement on intervention, the September 1987 Basle/Nyborg agreement, had made exchange market operations in support of existing exchange rate level more effective and flexible. It provides for intervention within the margins allowed for exchange rate fluctuation, so called "intra-marginal" intervention, which has allowed tensions to be defused before they reach a critical level.

Added to this has been the determination of monetary authorities not to surrender the initiative in policy to financial markets. France has withstood calls for a realignment of the ERM, especially following last year presidential elections, and even cut its interest rates in the face of these concerns. By the same token, it has shown itself prepared to raise interest rates when necessary.

But the dominant relationship has become the one between West Germany and France which, not without occasional tensions, has worked effectively over the past year.

Signs of tension in the Franco-German axis have emerged, however. Suggestions of a realignment of the EMS have been strongly rebutted by the French. In the pursuit of their franc forte policy, they have said they would only agree to a change in parities if the franc was revalued along with the D-Mark.

The French still remain keen for the Bundesbank to hold francs in its reserves, along with dollars, but this too has been resisted by the West German authorities.

But regular meetings at finance minister and central bank governor-level seem to have cemented a relationship that, whatever the day-to-day differences may be, remains united on the need to preserve the stability of the system.

But if the past 18 months or so have been characterised by an unusual degree of stability in the EMS, then upcoming events may well test it. There is the question of enlarging the membership of the EMS, to take in Spain and possibly Portugal and Greece as well, together with a planned re-weighting of the constituent currencies of the European currency unit (Ecu) around September.

According to Mr Gerald Holtham, international economist at Shearson Lehman Hutton, the US securities house, Spain is expected to set a date this year for its entry into the EMS. Mr Felipe Gonzalez, Spanish prime minister and current president of the Euro-

The dominant relationship has become the one between West Germany and France

pean Community, is a known supporter of closer European monetary co-operation.

Mr Holtham expects Spain to enter the ERM with wider bands of permissible exchange rate fluctuation than most enjoy. All participating currencies in the ERM are allowed to fluctuate 2¼ per cent either side of a central rate, with the exception of Italy which is allowed a 6 per cent margin. Spain may enter the ERM with a 4 per cent band either side of its central rate.

The re-weighting of the Ecu is a largely technical matter, which occurs every five years. The percentage of an Ecu accounted for by D-Marks, French francs or any other participating currency, is a combination of relative economic size, trade performance and politics.

To some analysts, both events, which could happen together, may provide an opportunity for a realignment of central currency parities within the ERM. The lesson of the recent past, however, is don't hold your breath; the analysts have been wrong before.

Simon Holberton

STERLING: the question may not be whether it will fall, but by how much

Mr Lawson's paradoxical tightrope

IF 1988 was the year when sterling was in the ascendancy, 1989 could be the year of a less-than-peaceful fall from grace.

The pound's climb during the second half of last year sat ever more uncomfortably with a rapidly deteriorating trade deficit and worsening inflation outlook. In the minds of many financial analysts, the question now is, not whether it will fall, but when and by how much.

The paradox is that a high exchange rate remains the cornerstone of the Government's anti-inflationary strategy. Mr Nigel Lawson, the Chancellor, has repeatedly warned that, in current circumstances, a depreciation would be intolerable. The result has been large-scale Bank of England intervention and the constant threat of a rise in interest rates.

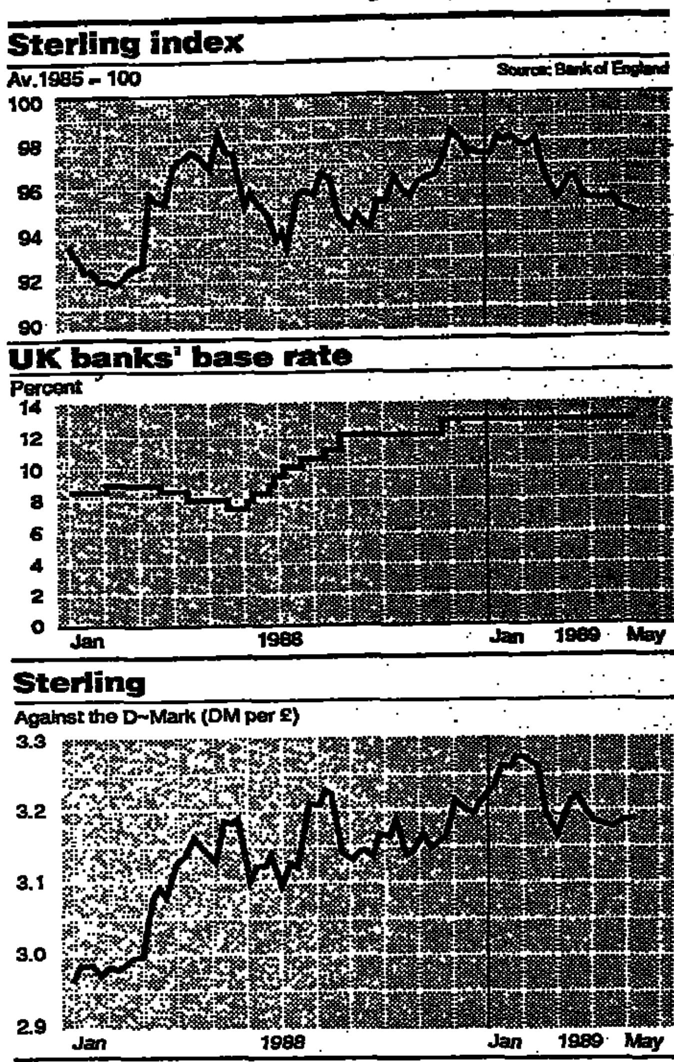
Between early last summer and November, base rates rose nine times, from 7½ per cent to 13 per cent. Many analysts fear that another rise in interest rates to defend the pound could tip an already slowing economy into recession.

That said, it is not unanimously agreed that the fundamental economic pressures on sterling are all downwards. There is a school of thought that the pound has entered a fresh trading range.

Mr Michael Hughes, economist at Barclays de Zoete Wedd, says he ranks sterling as "neutral risk" – but not as low risk as the US dollar. Underpinning sterling he says, is the UK's competitive position, expected continuing inflows of funds and the interest-rate differential against other major currencies.

He argues that the current account deficit need not lead to a steep decline in sterling. "There is no record of a middle-size European economy, such as the UK, having a current account deficit of 3 per cent of GDP and not having a currency crisis. This tells us that the current account is different, and that other factors can have more importance."

As worries about the narrow tightrope being walked by Mr Lawson have intensified, there has been a subtle change in sterling sentiment. Back in March 1988, as sterling breached the symbolic DM3 barrier, its direction was clearly upwards. Despite large scale intervention, the monetary authorities had failed to



keep the pound within its unofficial range against the Deutsche Mark.

Pushing sterling upwards was the high differential between UK and other countries' interest rates, particularly West Germany. And Mr Lawson was unwilling to cut the cost of borrowing because of already emerging signs of excessive demand growth and inflationary pressures.

There was also strong favourable sentiment towards sterling. "Britain is back!" ran the headline on Fortune magazine in May. The apparent successes of Mr Lawson's economic stewardship encouraged sterling buyers. At the same time, the buoyancy of UK industrial competitiveness encouraged the view that a higher pound was sustainable.

From March last year, the Bank of England's trade weighted sterling index rose from below 93 (1985=100) to more than 98 in mid-May. Against the D-Mark, sterling jumped from less than DM3 to almost DM3.19 in the same period.

A year later, the same pressures are evident, but the interpretive gloss is very different. The appreciation of sterling that initially appeared to embarrass Mr Lawson, has become a key instrument in the battle against price rises, and is cited as necessary to prevent managers awarding excessive pay settlements.

The interest rate differentials remain, but the emphasis is more on how large the cushion is. Interest rates have been creeping up in the US and West Germany, eroding the UK's comparative advantage. Further rises could knock out the prop supporting sterling, forcing another rise in interest rates to preserve its value.

Confidence in sterling is continuing, too – albeit waning. The Government's rhetoric that interest rates will be kept as high as necessary for as long as necessary is believed in financial markets. The March budget was also favourable received with the tight fiscal stance and measures to promote personal sector savings cheering dealers.

Undermining sentiment, however, has been the deterioration in the economic outlook. Mr Lawson has lost face with his claim that the upturn in inflation is merely a "blip", and analysts are increasingly aware that the UK is entering unchartered waters with its persistently high current account deficit. That deficit shows little sign of easing. Figures for March, showing a current account deficit of £1.2bn, were better than expected, but at an annual rate that still suggested a £14.5bn deficit, unchanged from last year. Fears that markets will seek to take corrective action themselves by sending sterling falling are intensifying. A lower pound would boost exports and drive up import costs.

At the same time, each indicator pointing to a slowdown in the economy provides further hints that the next move in interest rates might be downwards. Ironically, the tight Budget – if successful in cooling economic growth – will make high exchange rates less necessary, causing the financial markets reaction on Budget day appear perverse.

Mr George Magnus, international economist at Warburg Securities, said: "The longer run path of sterling is assuredly downwards, and depending on how quickly, the economy slows down will determine how quickly sterling is allowed to decline."

The Government says it will seek to avoid a disorderly decline

However, the Government says it will seek to avoid a disorderly decline in sterling at all costs because of the highly inflationary side effects.

If Mr Lawson is right, a slowdown will soon become apparent, interest rates need not go any higher, and sterling could start to weaken. But it is a narrow tightrope – and the costs if the pound starts to wobble prematurely could be high.

Sterling is vulnerable to shocks – whether domestic or overseas. A bad set of trade figures, a rise in US interest rates, unhealthy wage pressures or rising oil prices could trigger a rush out of the currency. And if intervention is inadequate – despite more official reserves of more than $47bn – interest rates will have to be raised.

Ralph Atkins

JAPAN: the Tokyo market is now the world's second biggest

Portfolio-power provides lift-off

A SURVEY conducted by nine major central banks is expected to show that Tokyo has replaced New York as the world's second largest foreign exchange trading centre, in terms of daily turnover.

In doing so, it is following in the footsteps of the Tokyo Stock Exchange and the government bond market, in overtaking in size their counterparts in New York.

The results of the survey will be published this summer. At the last such survey, in 1986, Tokyo trailed behind both New York and London, with daily turnover at $48bn, compared with $59bn in New York and $90bn in London. Since then annual interbank trading in Tokyo has grown from $3.2 trillion (million million) in 1986 to $5.6 trillion in 1988.

"These are growth levels that have not been seen elsewhere," says Mr Minoru Awamura, senior managing officer in the money market planning division at the Bank of Tokyo. Mr Awamura thinks there is a possibility that trading has even doubled since 1986.

The dramatic increase in cross-border Japanese banking has been one pillar of support to growth in foreign exchange trading. According to a recent report by the Bank of International Settlements, cross-border claims in yen reached $58.5bn last year, more than triple the $14.4bn seen in 1983.

But perhaps the single most important driving force has been the enormous surge in Japanese portfolio investment overseas. "Japan has an oversupply of funds," says Mr Takaharu Murayama, deputy general manager of the treasury department at Sumitomo Bank.

Large financial corporations who need to invest their massive supply of funds somewhere have been channelling a substantial proportion overseas where interest rates are much higher than in Japan. These investments, as well as the need to further hedge positions, have triggered greater activity in forex trading.

Furthermore, there has been a substantial increase in participation in the foreign exchange market by non-financial corporations, which have also found it necessary to hedge their overseas positions.

After the Plaza Agreement in 1985 had triggered the dollar's plunge, Japanese corporations, which had lost substantially on

Financial corporations have become the biggest participants

their dollar investments, saw the need to invest in foreign securities in order to cover currency fluctuation losses. This, in turn, led to their increased participation in foreign exchange trading.

The larger number of corporations issuing securities overseas has also stimulated greater activity in foreign exchange trading. Tokyo's foreign exchange market, which had previously been dominated by currency needs stemming from overseas trade, has seen a dramatic growth in currency needs arising from capital investments. And the figures involved are much, much larger than those connected with trade needs, says Mr Murayama.

"It is all part of Japanese zaitech," says one official at a major city bank. Zaitech, which refers to financial arbitrage by corporations as a means of improving corporate income, has grown significantly since the removal of various restrictions in 1986 enabled non-financial institutions to participate in financial activities overseas.

Non-financial companies have gained such experience and know-how that many are now trading on an equal level with banks, says Mr Murayama. The spectacular growth in foreign exchange trading to an extent mirrors the expansion of zaitech activities that has built the Tokyo foreign exchange market into a major arena for currency arbitrage.

One result has been that what used to be mainly an interbank market has come to be dominated by the major institutional investors. The financial corporations have become by far the biggest participants in the foreign exchange market, and even banks cannot attempt to meet the scale of their activities, says Mr Murayama.

The financial power of the life insurers, for example, is such that the dollar's rapid rise in early March was attributed by some market participants to dollar-buying by life insurers, who had hoped to prevent the value of their US securities holdings falling before the closing of their books at the end of the month.

The demand for currency arbitrage possibilities, and the increasingly sophisticated knowledge and trading techniques of market participants, has also led to the development of new products, which has helped to further stimulate trading.

Options have been introduced and customised to meet the varying needs of clients. Among them, zero cost options have been particularly popular as a hedging instrument, while a variety of combinations, such as options combined with warrants, have in turn increased trading in the underlying currency for hedging purposes.

Another result has been that cross-currency transactions have increased substantially in interbank trading over the past year. The Tokyo market, which used to be dominated by yen-dollar trade, now sees days when trading in other currencies exceeds yen-dollar trading. Between 1986 and 1988, trading in currencies other than the dollar grew from $600bn to $1,600bn.

"As banks have become more experienced, they have come to look more at currencies that move," says Mr Awamura, at the Bank of Tokyo. The increased trading in non-yen currencies reflects the extent to which Tokyo has matured as a foreign exchange centre, but in this respect, Mr Awamura says Tokyo is still behind other markets.

Meanwhile, the narrow fluctuation range between the dollar and the yen last year, at Y16.35 compared with Y50.75 in 1986 and Y37.35 in 1987, meant that it was more difficult to raise profits, and trading volume did not increase as much as it did in the previous two years.

The start of a new financial futures market in June, however, will add extra sophistication to the market by extending the possibilities for arbitrage. The new futures market will trade interest-rate and currency futures.

Michio Nakamoto

PROFILE: **UEDA TANSHI**

Abreast of new products

UEDA TANSHI has come a long way from its humble origins as a money broker in Osaka 70 years ago, diversifying into Eurodollar deposits, foreign exchange, swaps and "swaptions".

Its home has long since moved to Tokyo, and with Japanese banks perhaps the biggest players in world money markets, Ueda, as one of the top "tanshi", or interbank brokers, has grown and prospered.

As a measure of the increasing importance of new financial products, like swaps and options, Ueda and London broker MAI set up a new joint venture on May 1, incorporating all of the off-balance sheet items formerly handled under an existing partnership.

Ownership of the new company, Ueda Butler Treasury Services, is split evenly between Ueda and MAI – in contrast to the three-year-old Ueda Harlow, in which the ratio is 74-26 in favour of the Japanese partner.

Neoyuki Kimura, Tokyo-based director of Ueda Harlow, says Japanese banks are sensitive to the ownership of brokers they deal with. "Japanese banks want to deal with Japanese brokers, because they

Liberalisation has created new opportunities

have a close relationship with tanshi in the money market."

That was why London brokers Exco and Marshall had to abandon plans a few years ago to break into Tokyo on their own, he says. In the more established business of spot foreign exchange and short-term yen and dollar deposits, the eight tanshi have a firm hold on the market, Mr Kimura adds; but over the last few years, all eight have taken on foreign partners to help them expand into new financial products.

Through a subsidiary, Exco established its own broking arm in Tokyo back in 1979, but quickly realised that its market share would never increase much. As a result, it looked for a Japanese partner, says Mr Kenneth Goth, head of off-balance sheet products for Nittan AP, the Tokyo joint venture between Nihon Tanshi and Exco. Nihon Tanshi has most of the equity in Nittan AP, although there is a more equal distribution of profits related to off-balance sheet items, similar to the reasoning behind the formation of Ueda Butler.

Liberalisation of Japanese capital markets has created new opportunities for domestic banks to offer customers more products. In addition, the push by regulators around the world for higher capital levels has prompted banks to look more closely at off-balance sheet instruments, like swaps and over-the-counter options, according to Peter Goddard, the London-based chief executive of Butler Harlow Ueda, the main operating subsidiary of MAI. The use of "Ueda" in the title reflects the close co-operation of the two firms, he says, as well as a 2.7 per cent capital participation by the Japanese broker.

Japanese banks, conservative in nature, have moved slowly into new fields, but are expected eventually to extend their dominance, just as they have in other areas.

"Many products are not clearly permitted" in Japan, says Mr Kimura, of Ueda Harlow. "On forward rate agreements, for example, the [Japanese] authorities don't say

Continued on next page

WEST GERMANY: some bankers think Frankfurt has been eclipsed by Singapore

Disillusionment after lost opportunities

WEST GERMAN foreign exchange dealers can be excused for feeling confused.

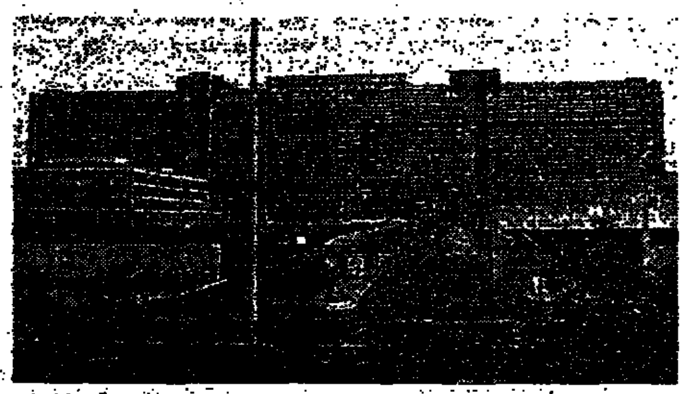
Neither the surprise half percentage point rise in key domestic interest rates in April, nor the planned abolition of the country's 10 per cent withholding tax on most savings and investments, announced soon afterwards, has had the expected effect in bolstering the Deutsche Mark.

However, as the dollar surged through the DM1.90 barrier early this month, it was at the Bundesbank that the sense of disappointment was probably felt most deeply, in view of its apparent inability to buck up the domestic currency.

After springing the shock interest-rate rise, central bankers had been hoping the D-Mark would move above the depressed levels seen during most of this year, helping to choke off the inflationary tendencies that were one of the main reasons behind the rates increase.

The Bundesbank may have caught the market completely by surprise, triggering heavy losses in the treasury departments of some banks in Frankfurt, home of the German forex market; but its move has not helped to stop the dollar edging up further in recent weeks.

How long such dollar strength can last remains to be seen. After negative inflation in 1987 and a 1.2 per cent rise in prices last year, inflation is widely expected to reach 3 per cent this year. The pessimists, looking at oil and commodity prices, are already talking about a 4 per cent climb.



What the Bundesbank does now is a main talking-point

That could trigger another bout of interest-rate rises by the Bundesbank, although such a step will probably be more difficult to push through than the April increase, which is widely believed to have been prompted by the bank's regional bosses despite reservations from some of its senior directors in Frankfurt.

"There were no differences between members of the central bank's council on the need for a rise in interest rates," says one close observer. However, the question of timing was probably much more contentious, with some council members probably arguing for a few weeks' delay.

What the Bundesbank does now is one of the main talking-points in the German market, as dealers watch the dollar gain strength. But, arguably, a number of even more important and longer-term issues are affecting the structure of the German forex market more than the pre-occupation with the strong dollar and weak D-Mark.

The first involves the standing of the Frankfurt market as a whole. Though it is still one of the world's key foreign exchange trading centres, some bankers think it has been eclipsed recently by Singapore, which has surged into fourth place behind London, Tokyo and New York. Quite where Frankfurt now ranks is a moot point, with most bankers hedging their bets and placing it alongside Zurich and Hong Kong, although many still believe it is a nose ahead.

The Frankfurt scene has been affected by a variety of factors. Notably, there has been a general sense of disillusionment, following a string of lost opportunities in developing the city further as a financial centre. The failure to abolish the stock exchange turnover tax, and more recently, the sorry episode of the withholding tax, which was introduced in January and is to be removed in July, have starkly illustrated the Bonn government's failure to get to grips with the needs of the country's financial community.

Though the securities markets have been most hurt most, the uncertainty over government policy has, arguably, touched the forex side, too. For example, the huge downturn in foreign purchases of German federal government bonds, where foreigners once took up to 80 per cent of each monthly issue, has undoubtedly affected forex trading volumes.

As with the relative stability of the D-Mark in the first three months of this year, banks' forex trading profits have been partly compensated by a shift to other markets, notably higher interest-rate currencies such as the Australian and New Zealand dollars, the lira and the Danish krone. Nevertheless, the first quarter of 1989 was "not especially profitable", according to one forex executive.

Admittedly, there is no sign yet of a decline in long-term foreign interest in the D-Mark as a *de facto* reserve currency. Recent figures from the Bank of International Settlements show that the Euromark now accounts for some 13.5 per cent of the Eurocurrencies deposit market — more than twice the share held by sterling, and third only to the Eurodollar and Euroyen.

However, the withholding tax affair, and the effect of rising interest rates on the profitability of some foreign financial institutions in Germany, may already be showing in terms of the number of participants in the Frankfurt forex market. New banks are still coming to Frankfurt, but there have also been a number of departures, particularly among US institutions. "I'd say there are more closing than opening," says one senior dealer.

A second factor, to which non-German banks are particularly vulnerable, is the undoubted growth of skills among both German corporates and banks on the foreign exchange side. In the past, forex trading was one of the key niches in which a big foreign bank — notably those from the US — could make a mark in the otherwise very competitive German banking scene.

Institutions like Citibank, Morgan Guaranty and Chemical Bank in particular have highly effective forex operations in Frankfurt, supported by keen quotes, good marketing and often sophisticated new products. These have opened many doors to corporate business that might otherwise have been turned away.

How much ground the big German banks have made up in the past two years, in terms of the skill of their forex departments, is debatable. Most US bankers still claim to be some way ahead, especially on innovative products like options. But the fact that many leading domestic houses have made up ground is indisputable.

"Many German banks have undoubtedly compensated for their former deficiencies. As their customers can no longer see the deficiencies, they no longer have to turn to others," says one senior German bank executive tersely. As far as treasury products are concerned, the foreign banks "have clearly lost market share *vis-à-vis* their German rivals," he reckons.

That view may apply especially to more sophisticated "financial engineering" products, which involve combining a group of techniques like interest-rate swaps, caps and foreign exchange transactions.

"Up to two or three years ago, we were still half a light-year away," says one German bank treasury chief. "But we have really caught on."

Haig Simonian

Ueda Tanshi's joint venture

Continued from previous page

anything. Foreign banks think silence indicates 'yes', while Japanese banks think silence indicates 'no', he says.

Mr Goddard hopes the Tokyo International Financial Futures Exchange, due to open next month, will encourage Japanese banks to move further into the use of off-balance sheet products. The exchange, which has been developed by the Japanese banking industry, will initially trade futures on three-month yen and dollar deposits and the yen-dollar exchange rate.

"Japanese banks form the largest single block of customers in the money market area," he says; and, given the worldwide state of trading, Tokyo is likely to provide the most potential for continued business growth.

Mr Goth, of Nittan AP, concurs. He estimates that, while brokers handle almost half of traditional businesses like spot forex and deposits, their share of newer products, such as caps, floors and the hybrid "swaptions", may only be 10-20 per cent. The rest is being done directly between banks, which Mr Goth hopes will decline as Japanese institutions become more sophisticated in the use of the latest asset/liability management techniques.

'There is still a lot of business to support eight major brokers'

"Japan is an odd market," says Mr Goth. "There is still a lot of business to support eight major brokers." Yet some believe that global consolidation may leave room only for small niche players and the biggest worldwide players.

"The tendency is for people to reduce the number of brokers to which they speak," says Mr Goddard. "A number of banks are quite aggressive in looking for overall reductions in their broking bills."

Brokers offer volume discounts that extend across many product lines, creating an incentive to shift business to fewer firms. But, for now at least, Tokyo has not gone through a major retrenchment.

Seth Sulkin

PROFILE: ROLF WILLI

Old-hand counsellor

AFTER performing his first official duty — leading the West German delegation at a ground-breaking Soviet-West German foreign exchange traders' meeting, in Moscow in April — Mr Rolf Willi, the newly-appointed president of the German "forex club", has had time to cut his teeth on his new responsibilities.

Running the club, which is the national branch of the long-established Association des Cambistes Internationaux (ACI), will be a substantial extra burden on an already busy schedule.

But Mr Willi, a tall, imposing 48-year-old, who speaks faultless English, is probably accustomed to the international round. A regular speaker at financial conferences, he is as well known as an authority on gold and precious metals as on forex exchange.

In that respect, Mr Willi, who was promoted to senior general manager at Dresdner Bank, Germany's second biggest bank, at the start of this year, follows a notable line at the bank. Although overshadowed in size by Deutsche Bank, it maintains an enviable reputation as the country's premier trading house.

Perhaps it is his long experience at the bank, where he has worked uninterrupted since 1957 — apart from a 2½ year break in the 1960s, gaining experience abroad — which explains his emphasis on the educational and counselling sides of his new positions, both at the forex club and in the bank as a whole, where he is responsible for forex trading and treasury, as well as financial innovation.

"It's not just a social club," he points out, explaining the the ACI's long tradition, compared with more recently created international traders' groups, like the International Association of Bond Dealers or the International Swap Dealers Association. Mr Willi already has his work cut out arranging one of this year's three "international junior forex" gatherings for younger dealers, which is due to take place at Bad Soden, near Frankfurt.

That meeting, just like the annual get-togethers for younger dealers, arranged annually by each club at national level, is a serious affair, rather than just a chance to down a few beers. Thee will be training courses, and guest speakers from commercial banks and even the Bundesbank. Clues to the timing of the next central bank intervention are not expected to be on the agenda, however.

Rolf Willi: must guide potential recruits in the right direction

Mr Willi, who was elected in March and will hold the president's chair for the next five years, clearly takes his responsibilities seriously. That, no doubt, partly reflects the continuing tendency of German bankers to think of their jobs in somewhat longer terms than their job-hopping foreign counterparts.

Recent developments, like the Delors Committee Report on economic and monetary union in the European Community, have spotlighted the debate about the future of foreign exchange trading, especially among more thoughtful young recruits. If all EC member states eventually move to a common currency, "there would no longer be many currencies left to convert," jokes Mr Willi.

The likelihood of forex traders being thrown on to the street in droves is still a long way off, but Mr Willi emphasises that initiatives like the Report are carefully considered.

After all, he notes thoughtfully, it is old hands like himself who have to answer the questions of young trainees who, touring various departments of the bank, might ask themselves "whether there will still be such a job as that of a forex trader in x year's time, and whether it is worth going through the long training required."

The German forex club may not be able to provide all the answers, but it is up to Mr Willi and his four colleagues on its board at least to guide potential recruits in the right direction.

For those thinking shorter term, the club exists to stimulate contacts between dealers, and to act as an effective mouthpiece for the market, vis-à-vis institutions like the foreign department of the Bundesbank, on questions of market practice or new rules.

But with glasnost in the air, will the contacts involve closer links with the Russians, too apart from more obvious commercial partners in Europe and the US?

The idea of staff exchanges between German and Russian banks, put forward by the German side at April's meeting, was warmly received, but ran aground on the problem of staff shortages on the Russian side, says Mr Willi. But a return visit by a Russian delegation to Germany is on the cards, he thinks.

What of the Russians' reputation as some of the world's canniest traders? "They have some natural advantages," he says thinking principally of the gold market. After all, as one of the world's largest gold producers, Russian dealers are not thought to be particularly hindered by insider trading rules, and Chinese Walls belong on the other side of the border.

Haig Simonian

HIGH-YIELDING CURRENCIES: business is returning to the US dollar and Europe

Sound economy should assist the peseta

LAST YEAR was the year of high interest yielding currencies, when players on the foreign exchange markets turned to some of the world's less fashionable currencies in search of a promise of high-interest returns and steady appreciation. The major beneficiaries were the Australian, Canadian and New Zealand dollars, and to a lesser extent sterling.

In contrast, the recent relative decline in some of the high-yielders, in particular the sharp fall in the Australian dollar in February, means 1989 is seeing some of that business return to a *US dollar* drawing strength from rising domestic interest rates, and some transferred to a few peripheral European currencies, like the Spanish peseta, Italian lire and Danish krone.

These European currencies can offer forex speculators an attractive mix of healthy, if unspectacular (by Australian standards) yields, backed by the promise of relative exchange rate stability.

The Spanish peseta, in particular, could prove to be highly popular. The growth of the Spanish economy has attracted genuine overseas investment to the country, and, with a government committed to running a tight monetary ship, interest rates *should remain high*.

The peseta's strength against the Deutsche Mark, the core currency it (informally) shadows, is also a major source of its appeal. "Basically, you are buying D-Marks with a high yield when you buy a currency such as the peseta," says Mark Brett, currency strategist with BZW.

Crucially, *the Spanish* authorities feel content at present to tolerate a firm currency. "The peseta is no longer regarded as an exotic currency; people trade it in reasonable volumes," says Ken de la Salle, of National Westminster's forex department.

A similar, if less colourful, picture can be painted of the *Italian lire and the Danish* krone. Both are backed by high interest rates and strong economic growth. However, they are also subject to central bank control within the European Monetary System (EMS), which to an extent limits the profit-making potential for speculators.

Yet the cover of relative exchange rate stability provided by the system – and the peseta may join the EMS in September – is becoming an attraction in its own right, particularly to those players in the forex market which suffered with the falling Australian dollar.

"If you go for a high-yielder that is appreciating fast, you run the risk of the currency *collapsing before you can* unwind your investments – as happened with the Aussie dollar," explains a London forex dealer. "So you look for a currency that enjoys relative stability and offers a decent yield."

It was the sharp decline in the value of the Australian dollar in February which has forced the forex market to *reassess its attitude to high-*yielding currencies. As one dealer said: "The Aussie dollar's fall put a health warning on other high-yielding currencies. Suddenly, everyone remembered why they were in the high yielders – because of the high risk."

Throughout last year, the Australian dollar had been the *most attractive currency* in the international forex markets in pure yield terms. Then in February the Australian authorities decided that the dollar had overheated and the central bank sold the dollar as it fell, and with the finance minister also talking the currency down, the authorities made it clear that interest rates would rise no further.

With the current account deficit and inflation worsening, the Australian dollar fell against the US dollar from US$0.89 to US$0.79 in just one week.

A similar fate has befallen other high interest yielding currencies, which had performed so well in 1988. Since January, the New Zealand dol*lar has lost ground against* leading curreneiecs. Short-term interest rates have fallen from their highs at the end of 1988, and brokers ANZ McCaughan forecast that the New Zealand dollar will have fallen by 4-5 per cent on a trade weighted index basis by the middle of 1989.

The Canadian dollar, another favourite high yielder *last year, has also come under* pressure. BZW's Mark Brett notes that the Canadian dollar has been "wobbly" since February's sharp drop in the Australian dollar, and forex analysts are forecasting a weakening in the Canadian dollar later this year as the government loosens the tight reigns of its monetary policy. The common thread in all three is that interest rates appear to be approaching a downward spiral.

Yet the trend for moving away from the mainstream *and into previously unfashion-*able currencies because of the yields has been firmly established. The climate was created by the behaviour of the Group of Seven (G7) countries towards the core currencies. Their joint manipulation of the markets to prevent big swings in the dollar, the D-Mark, sterling and the yen led investors to turn elsewhere for the dual benefits of an appreciating currency offering a high yield.

As Richard Deslandes, director in charge of foreign exchange at brokers Martin-Bierbaum in London, explains: "If opportunities for profitable trading on the high turnover currencies are reduced by such things as concerted central bank intervention, the larger players have been *faced* with either increasing turnover to maintain profitability, or turning to new pastures, which means peripheral currencies like the Australian dollar."

This was a point echoed by Mark Brett, at BZW. "In a world of currency stability where the G7 has the dollar under control and the EMS looks stable the *message is* 'buy high yield'." But is the growing popularity of non-core currencies evidence that international forex business is becoming less polarised?

Mike Young, of ANZ McCaughan, says yes. "The Australian dollar in volume terms is the sixth most important currency in the world – *yet this is out of all proportion* with the position of importance held by the Australian economy in world terms." NatWest's Ken de la Salle agrees; he feels that there is a greater *inter-linking of currencies* today – witness the growing popularity of trading direct between non-dollar denominations.

As one forex trader said; "International investors are increasingly indifferent as to what currency they hold their assets in. They are more interested in whether a currency makes a positive contribution to the value of those assets."

Patrick Harverson

CHARTISTS have entered a new age with modern technology

Imprecise, but even central banks listen

A FOREIGN exchange dealer at a leading City institution was on to a winner recently.

Throughout the morning he had watched sterling move in relation to lines plotted on his hi-tech multi-colour video screen. Each time it touched the pink line, he noticed, sterling would jump half a cent before falling back. All he had to do was buy pounds as it approached the line, and sell shortly afterwards.

An illustration of the flaw in using fundamental economic analysis in foreign exchange markets? Almost certainly. A display of the power of chartists? Well, maybe. The problem is that the dealer had no idea what the pink line showed.

Chartism, or the art of using charts to predict movements in currency *markets, has* come into a new age with modern technology. Computerised screen-based systems can map trends and patterns with infinite variations and consummate speed.

It is a skill as old as financial markets themselves. It falls into the "technical" side of foreign exchange dealing, as *opposed to the "fundamental"* analysis in which currencies are seen as moving according to the outlook of a country's economy. Despite its imprecision and the evolution of the science of economics, chartists are as important as ever – and perhaps more so. Even central banks listen to what the chartists are saying.

Mr Mark Brett, currency and bond strategist at Barclays de Zoete Wedd, says chartism bridges a gap left by basic economic analysis which is unable to pin-point exactly where currencies *might move to*.

He said: "I use fundamentals to say 'the dollar is a good bet' and the same framework to say 'the Australian dollar is high risk'. What that doesn't tell you is where it is going this afternoon, and that is where the chartists come in."

It is also a game of beggar-thy-neighbour. Dealers need to know what other dealers are likely to be thinking. "It may be an entirely circular argument. If everybody says $1.67 is a support level, then when sterling breaches that, it will come down," said Mr Brett.

Simon Crane: to work with two tool-boxes

To the chagrin of many practitioners, chartism is surrounded by mystique: an impression that it can be likened *to analysing chicken* entrails or the prophecies of Apollo. In practice, however, it involves applying straightforward principles to recent currency movements with the aim of determining the future direction of exchange rates and speed of changes. There are no completely right answers, of course, but nor are there in *fundamental analysis*.

The difficulty is trying to explain why chartism should be expected to work. The basic assumption is that all known information is incorporated in the last dealt price of a currency. Therefore analysis of where an exchange rate has been will provide signals about where it is going.

But there is a strong argument for believing that foreign exchange markets can still be surprised – for instance, by an unexpected interest rates move, worse trade figures than *forecast, or an unscheduled* major policy statement by a senior finance minister.

The explanation some prefer is to argue that chartism is a judgmental analysis of human responses. Mr Simon Crane, managing director of Crane Investment Analysis, said the principles of chartism "are a deviation of what you would expect human behaviour to be as a result of attitudes towards losses and profit".

The formal rules of chartists have attractions for foreign exchange dealers, who make their living by deciding when to buy or sell – and when to leave in order to minimise losses.

Mr Geoffrey Earnshaw, dep*uty head of strategic dealing* at National Westminster group treasury, said: "We are looking more and more into charts, and we do put a lot of emphasis on it. It creates discipline. You can focus attention better if you can see something in black and white."

This still leaves ample room for using fundamental analysis – *looking, say,* at what might happen to the current account deficit six months hence, or the path of interest rates needed to control inflation – and using charts to fill in the gaps or provide and alternative gloss.

Mr Crane, who advises 20 leading investment banks, said: "You go to work with two tool-boxes. One is a technical tool-box, the other is a fundamental tool-box. Within these two boxes there is a myriad of tools to assess your risk."

The available tools vary considerably in complexity. Some *straddle the fine border* between chart analysis and mathematics. Two relatively simple themes stand out, however, and provide some insight into how chartists work.

First is the analysis of trends. Currencies rarely move in straight lines but across time – perhaps just a matter of hours – their path is usually obviously upwards, downwards or stable.

Chartists are interested in the "channel" through which the currency is rising or falling – giving some idea of the fluctuations that can reasonably be expected. They can calculate "oscillators", showing likely variations. Of importance is not just the direction *but the speed of change*.

A trickier part is spotting turning points, which could determine decisions to move into or out of currencies. One such tool is the "head and shoulders" formation. When a currency is approaching a peak, it may show three distinct highs with the central one higher the other two. A possible interpretation is that this shows a upward trend is about to be reversed. Similarly a "reverse head and shoulders" could mark the beginning of an upswing.

There are other chart formations analysts look for – wedges, triangles, flags, pennants are just some. Each has a different interpretation. Mathematical patterns include Fibonacci sequences, in which each value is obtained by adding the two previous numbers.

A second theme is the search *for support and resistance lev*els. These give a guide to how far a currency might drop or fall if a turning point is reached – or following a shock that seems likely to change a currency's direction.

Chartists believe there are numerous support levels, below the level at which a currency is trading and through which it might drop.

The art is in trying to detect which are the firmest levels – that is, deciding which will eventually check movements in a currency. In stable trading conditions, the weakest resistance point could hold sterling down. In more volatile times, it could plunge through several support levels before stabilising.

Clues can be derived from charts plotting trading volumes at different prices. If, for instance, the pound is rising, there will be heavier trading at certain price levels. Where trade is heaviest, there could be a resistance level.

With the exception of major, pyschologically-important barriers such as DM3 for the pound, however, there is little agreement about where the main resistence and support levels lie.

Ralph Atkins

HEDGING

It's cash that counts

THE LAST 12 months have seen a reining back in the achievements and ambitions of the players in currency hedging.

Stunning profits made by Bankers Trust, the sixth largest bank in the US, in the autumn of 1987 were subsequently overshadowed by the revelation that it had little idea of how they had been generated.

Its key trader resigned in March 1988 amid revelations that colleagues did not understand the complex combinations of swaps and long-term options in which he dealt, and that the bank did not know how to assess their value. In July 1988, Bankers Trust cut $80m from its profits estimate for the final quarter of 1987.

Chastened dealers now speak of a maturing industry. The vision of rocket scientists developing wonder products to sweep competition aside has given way to the realisation that most currency hedging is in the simplest instrument: cash.

Mr Kees Scholtes, a director of Warburg & Co, says that 95 per cent of forex hedging is done in cash spot and forward markets. Of the remainder, 95 per cent is in the options market, leaving only an apparently tiny proportion of the business to the exponents of swaps, swaptions, compound options (options on options), look-back options and other such exotica.

Growth has slowed since 1987, when turnover expanded 30 to 40 per cent

The Philadelphia Stock Exchange, a main centre for the hedging industry, turns over about 45,000 contracts a day. Those are just options on the physical currency – Philadelphia leaves the futures business to Chicago.

But the drama of futures and options trading floors barely touches big players like Citibank, Goldman Sachs, Banque Indosuez, Midland Montagu and Bankers Trust. The over-the-counter market dominates turnover. Mr Scholtes *says that, after stripping out* end-users of the funds to leave the size of outstanding portfolios at any one time, and using the standard double counting assessment (positions are matched), then business adds up to more than $600bn a year.

But growth has slowed sharply since the glory year of 1987, when turnover expanded *30 to 40 per cent. Last year the* figure was nearer 10 per cent.

Explanations vary. Optimistically-inclined dealers argue that the industry is cyclical. They predict its eventual emergence from the current trough, pointing to the rise in concerted central bank intervention to stabilise currencies and pin the blame on the consequent *low volatility*.

But harder heads argue that some changes are not part of a cycle. There are fewer new customers, and the old ones now understand the technicalities of hedging. Banks and an increasing number of corporations, especially in the US, know what they want from hedging and are beginning to *understand how to get the best* deal.

"Hedging departments have now become profit centres within some institutions, investment banks and corporations," says *Mr Paul Adair*, of the Philadelphia Stock Exchange.

This approach is unlikely to be repeated in Europe, according to Mr Ian Major, who runs Midland Montagu's enticingly named Financial Engineering department. International trade does not figure highly in US corporations's plans. They are attuned to domestic markets and have been more involved with the management of assets than currencies.

"The fund management philosophy is spreading into currency," argues Mr Major. "But it's one step to centralise them management of forex, another to suggest it should make profits." Although some UK companies are talking about establishing hedging departments, "In a sense they are setting up an internal bank; you must ask whether they can beat the market."

Nevertheless, in a market of growing sophistication, Midland and others are downplaying the role played by product innovation. Instead, they see themselves increasingly as hedging consultancies. In the past, if a company wanted, for example, to protect the cost of an acquisition in French francs and there was no appropriate franc instrument, the broker would have constructed a synthetic product using currency and interest rate swaps with caps and floors as appropriate. Such devices work well while in operation, but are awkward to unwind because they are so specific to an individual customer and liquidity is therefore low.

A shift in approach means that the task now is to persuade the customer to incorporate the currency risk into the wider risk management of the business deal. The broker dis*tinguishes the components of* the risk in terms of interest rates, currency volatility and others such as commodity price volatility. It advises the client on what level of risk is *livable-with*, taking into account how easy it would be to unwind a position with the minimum loss of spread.

"We say to a customer 'don't try to cover all your risks, the last 10 per cent is the most expensive,'" says Mr Major.

The key to profitability in the currency consultancy business is *added-value*. As well as incorporating decision-making into risk management, brokers will tailor packages to tax and accounting needs of a client. The bespoke nature of the product – and the premium price that may be charged – is therefore preserved, while making sure that the instruments used are liquid.

*There is still room for prod*uct innovation. According to Mr Scholtes, it will largely arise from the assessment of non-options instruments, such as convertible bonds, in option-like terms and their incorporation into packages. The Chicago Mercantile exchange is increasing is range of tradable currency options, with interest spread instruments between various European currencies and the dollar, and is considering a one-month Eurobond futures instrument.

The key to profitability in the currency consultancy business is added-value

Brokers are sanguine over the likely impact of entry into the European Monetary System. In theory, this should reduce volatility further. But they argue that there will still be a role for hedging, especially for the more volatile currencies such as the Italian lire. They also foresee plenty of business yet to be tapped in transatlantic trade

Most see London pre-eminence in Europe as *safe*, although the Marché à Terme des Instruments Financiers (Matif) in France has been aggressive and innovative.

Two executives of a US bank in London argue the case: one says that London's infrastructure and experience make it an impregnable fortress; the other forecasts an eventual challenge from European banks that have grown strong by domination of their domestic markets. Both agree that their jobs are in London for a few years yet.

Daniel Green

THE LITTLE DRAGONS

Candidates for the US blacklist

THOSE LITTLE dragons of east Asia – Taiwan and South Korea – have a fight on their hands. And since they are up against the might of the US and the weight *of the dollar*, they have sensibly eschewed fire-breathing tactics.

The two burgeoning economies have been under pressure from the US since 1986 to lift controls on foreign exchange trading and allow their currencies to rise more rapidly against the dollar. Now the swords are being sharpened.

At the root of the problem are the huge surpluses in their trade, the bulk of which is with the US. In a report to Congress last month, the US Treasury accused Taiwan and *South Korea of manipulating* their currencies – holding them down artificially to protect their exports at the expense of their trading partners.

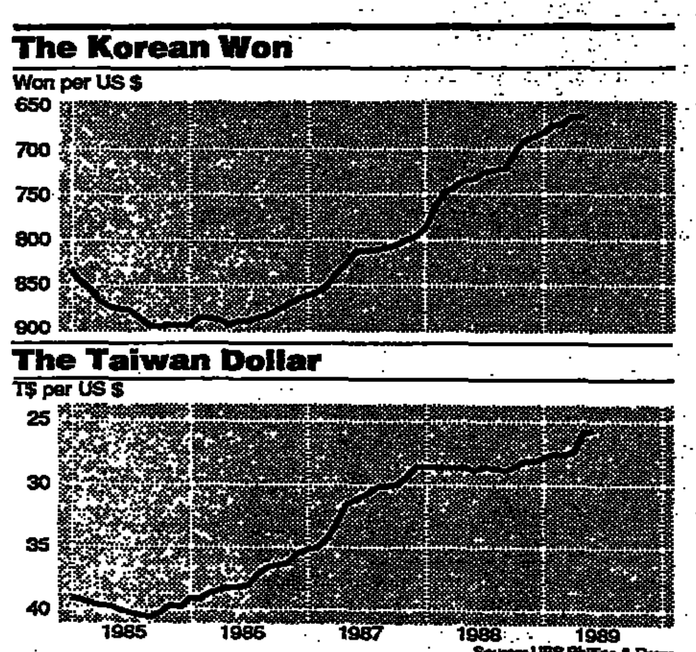
Hong Kong and Singapore, the other two members of the east Asia NIE (newly industrialising economies) group, have not escaped criticism. But their restrictions on trade are non-existent or negligible in comparison, and their surpluses far smaller. Taiwan and South Korea accounted for 76 per cent of the group's combined $28.4bn surplus with the US last year.

There have been skirmishes in the past three years as frustration has mounted in the US at the lack of progress in curb*ing the trade deficit. Things* are now coming to a head under the Super 301 provision of the 1988 US Trade Act.

At the end of this month, Ms Carla Hills, the tough-talking US Trade Representative, will present Congress with a list of countries accused of building up systematic barriers to US exports. If subsequent negotiations fail to lower those barriers, the US will retaliate.

South Korea and Taiwan, along with Japan, are potential candidates for the black*list. With this threat in mind*, both have been allowing their currencies to appreciate further this year – Washington has been conducting separate currency talks with Taipei and Seoul, parallel to the main trade investigation.

The signs are that South Korea is currently the bête noire. The US has accused Seoul of operating comprehensive capital and exchange controls and of showing "virtually no willingness to move to a market-based system of exchange rate determination over the medium-term".



Source: UBS Phillips & Drew

The Korean won has risen by 30 per cent against the dollar in the past three years, gaining a further 2.8 per cent to Won666 in the first four months of this year. The US *Treasury says this is not yet* enough.

Taiwan's trade surplus with the US is considerably larger than that of South Korea and its foreign exchange reserves of $76bn are the second largest in the world after Japan. Yet, after appreciating by 40 per cent in 1986-87, the Taiwan dollar hardly moved against the US currency last year. That was because Taipei slashed its trade surplus with the US by $4.5bn to $12.7bn – a dramatic headline figure, *admittedly helped by some* hefty gold imports.

This year the authorities have bowed further to Washington's will, not only by letting the Taiwan dollar rise by a sharp 10.5 per cent to T$25.50 in the first four months, but also by altering the foreign exchange system to allow five state banks and a rotating group of local and foreign banks to determine the daily rate, instead of the central bank. Sceptics say the authorities still wield effective power through the state banks, and that trading is *actually less transparent than* before. But the US administration finds such signs of change encouraging.

"Taiwan has come a lot further than Korea," said one official. "It has a foreign exchange market, even though the central bank sometimes accounts for 60 per cent of transactions. In Korea, the Government just says: 'This is the exchange rate, take it or leave it.' And capital flows are even more tightly controlled than in Taiwan."

Foreign exchange liberalisation in South Korea may have to wait until the stock market opens up to direct overseas investment in 1992. In the meantime, Seoul is likely to be cautious about further appreciation of the won.

For a start, there has been a sharp fall in the trade surplus with the US in the first quarter of this year, to $1.2bn from $1.8bn a year ago. Domestic demand is rising fast, which should help reduce the trade imbalance further by sucking in imports.

Meanwhile, demand for higher wages, accompanied by labour unrest, is fuelling inflation, while productivity is *slowing, thus leading to a* surge in unit labour costs. Rapid appreciation of the won, combined with these factors, could exacerbate Korea's loss of competitiveness, according to Mr David Shairp, Pacific region economist with UBS Phillips & Drew.

Both Taiwan and South Korea have benefited from their currencies' fall *against* the Japanese yen and the European Community Ecu from 1985 onwards, since it boosted their competitive advantage in overseas markets. But the yen turned round and began to decline against the won in early 1988, eroding that competitive edge – a further worry for South Korea.

Taiwan, meanwhile, has said its currency will rise further against the US dollar, and market speculation has put the ceiling as high as T$22-T$23. This would fit in with Taiwan's fight *against rising* inflation, which is being fed by higher import costs and wage demands – although unit labour costs are climbing less *fast* than in South Korea.

Taipei also shares with Seoul a reluctance to open the floodgates to a wave of speculative money, and to possibly undesirable influences – from mainland China in *Taiwan's* case, but from the economically mighty Japanese rather than the communist North Koreans in Seoul's case.

Against these arguments for caution have to be set two factors. The first is the desire of the Taiwanese, and possibly of the South Koreans, to play a financial role in the region commensurate with their economic power, necessitating an opening up of their financial markets. The second is the likelihood of their continued dependence *on the US* for trade, and the need to preserve that bilateral relationship.

If the US dollar weakens in trade weighted terms and the economy slows (gently), that process of adjustment from antagonism to partnership might be rendered less painful.

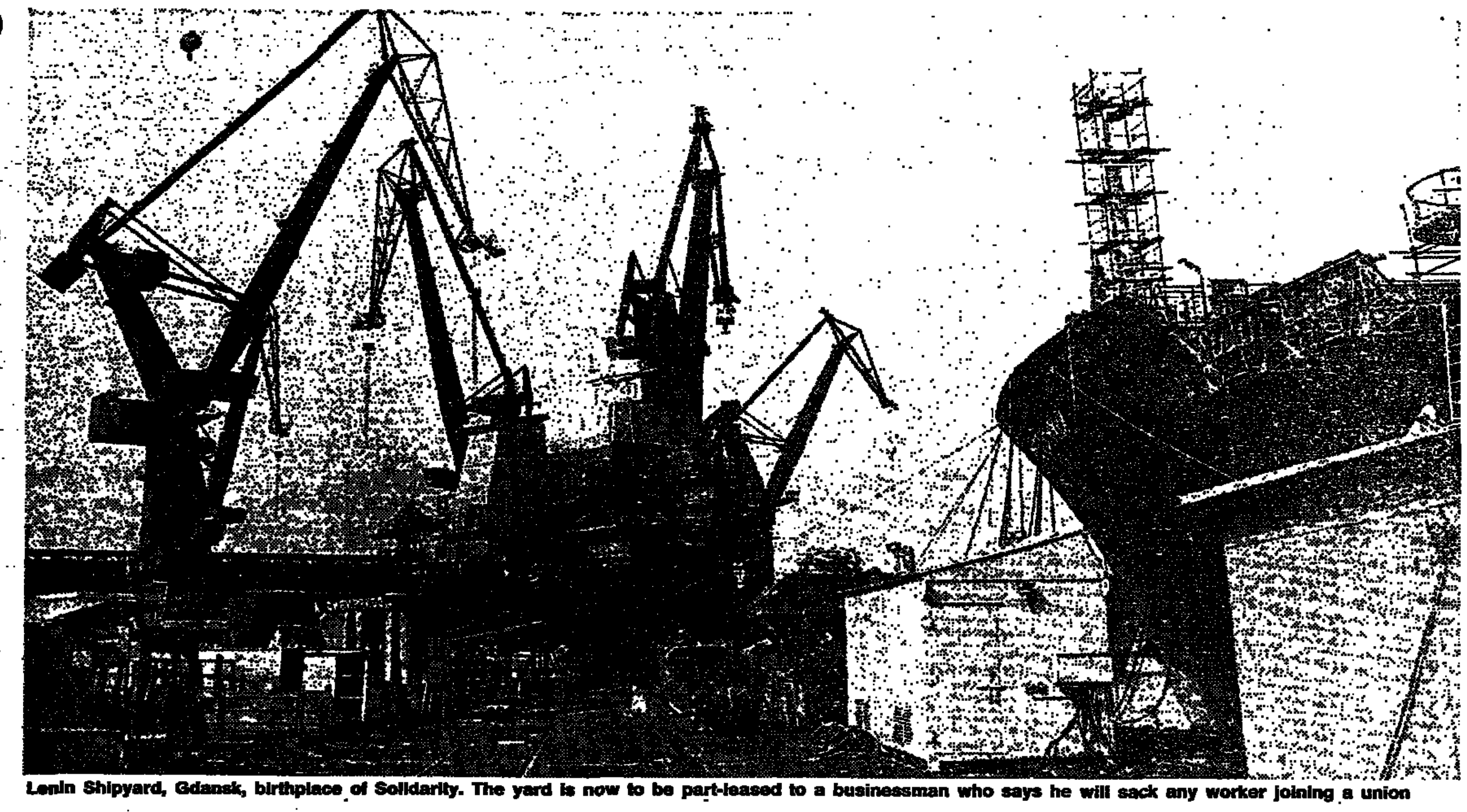
Alison Maitland

SECTION IV

FINANCIAL TIMES SURVEY

Solidarity members who have served time in prison for their union activities are now helping to decide Poland's future. **John Lloyd** and **Christopher Bobinski** look at the exhilarating prospects of progress in a country that has been a battleground for the past decade

On the verge of a new era



Lenin Shipyard, Gdansk, birthplace of Solidarity. The yard is now to be part-leased to a businessman who says he will sack any worker joining a union

POLAND

THE POLISH people are now in the vanguard of reform in Eastern Europe. On June 4, the first partially democratic elections in a communist state will pit communist candidates against other political forces, with the likelihood that many will lose.

In this round, the Polish United Workers Party has been canny enough to reserve a majority in the Sejm (parliament). Nevertheless the arena within which a genuine choice can be made will confer legitimacy on the victors, and is designed to be an antechamber to full democracy four years away.

The development comes, though, in the wake of the Gorbachev liberalisation in the Soviet Union and was coupled with the realisation by General Wojciech Jaruzelski's communist leadership that the only way out of a social, economic and political impasse was to reach accommodation with the opposition.

The elections themselves flow directly from the Round Table talks earlier this year, which saw – as Mr Lech Walesa, Solidarity's leader, put it – men and women who had recently been imprisoned or been cowering under the truncheons of the Zomo riot police sit down with government ministers and party leaders and agree a framework for change – one part of which was the legalisation of Solidarity, barred from exercising its function as a trade union since the declaration of martial law in 1981.

The concession came after scattered industrial unrest last year which unmistakeably signalled a major strike wave: in the circumstances the authorities decided it was better to talk to Mr Walesa and the Solidarity organisation voluntarily, rather than have to negotiate under duress.

The Round Table accords also commit Solidarity – despite initial reluctance – to participate in this year's parliamentary elections. At first it was feared the decision to enter parliament was risking a fatal compromise with the system – but, as the election campaign unfolds, Solidarity has come to view its future position in parliament as a crucial beachhead in the struggle for change.

On June 4, Solidarity candidates will be competing for 100 seats in a new upper chamber – the Senate – with all citizens freely casting their votes for and against communists and government figures such as the flamboyant foreign trade minister, Mr Dominic Jastrzebski. Crucially – and this was the cause of Solidarity's hesitation – the Round Table pact guarantees the communists and their allies – the Democratic and Peasants' parties – 65 per cent of the 460 seats in parliament and allows opposition candidates to contest the rest.

All the indications are that Solidarity will do very well in the poll, giving it a strong base from which to advance its programme. This includes a call to depoliticise the economy, allowing management positions to be allocated according to merit and not party allegiance – that is, the destruction of the *nomenclatura*. The movement will also support decentralising, market-oriented reforms and is firmly committed to budget savings, especially on the armed forces and police. It has, of course, not yet had to face the consequences of the reform it champions – such as unemployment, as loss-making factories close and priorities are shifted from heavy, energy-intensive industries to production of consumer goods.

At the same time, the Round Table talks showed there was much common ground between Solidarity's approach – especially that of its neo-Liberal wing – and that of the economic reformers in the establishment. It is not impossible that, in a shift of alignment, Solidarity could ally itself to the communist party's reforming wing in the next Parliament. But such an alliance will be embattled: for the reforms will continue to take place against a background of mounting inflation, threatening to nudge triple figures this year. Were an acceleration of price rises to come as a result of an attempt to cut subsidies on food prices – as senior officials have foreshadowed – then there is a real prospect of serious industrial unrest.

At the Round Table talks, it was with this in mind that Solidarity, against the wishes of its free market wing, urged on the government automatic indexation of wages to prices as a way of avoiding unrest: against the vocal protests of many ministers and officials, the government agreed to a formula under which 80 per cent of the losses from price rises will be made up by guaranteed wage increases.

The issue sparked off one of the first clashes between the rival union movements: the official OPZZ unions, who stand to lose by Solidarity's return, refused to agree to the formula and the dispute could fuel serious shopfloor rivalry in coming months – the more so since Solidarity is pursuing a moderate industrial policy, going out of its way to urge its supporters not to strike, but to concentrate on winning the elections and organising their union. Almost everyone, however, agrees that Poland's crippling $39bn (£24bn) foreign debt burden must be alleviated – and that new credits are essential to recovery.

Mr Walesa on his now frequent trips to the West never fails to make the point that Poland needs technological and financial support. Officials, too, repeat the litany that without new credits, reforms which are being urged by the International Monetary Fund, of which the country is a member, stand scant chance of success.

The US – whose president, George Bush, visits Poland in July – will probably wait for evidence that the elections were conducted fairly before it takes any firm decisions on credits for Poland. Signals from other western countries have also so far been disappointing – but talks with the IMF and the Paris Club of western government creditors are due next. Next month's elections will also show how the government led by Mr Mieczyslaw Rakowski will fare. A considerable number of his ministers are standing and could well lose: for despite the seats guaranteed in parliament, contests will be taking place between party members.

Thus in Sosnowiec, in the industrial centre of Katowice, Mr Ireneusz Sekula, the deputy premier in charge of the economy, has been challenged by a popular teacher who could pick up the anti-establishment vote. Others, such as Mr Mieczyslaw Wilczek, a private entrepreneur brought in by Mr Rakowski to head the ministry of industry, is racing against Solidarity for the senate in Siedlce province, where he founded his fur business.

The contests will thus be a chance to pass judgment on the government – though it is perhaps unfairly early for such a judgment to be made, since the Rakowski cabinet only took up the reins of power last autumn. Since then, it has passed a liberal foreign investment law, made it easier to set up in private business and removed any upper limit on the size of the private sector. Taxes on both state and private companies have been reduced, making it easier for state-owned companies especially to invest without looking to the government for funds.

This year, some 40 per cent of hard currency imports will be paid for by companies out of their own money, either earned through exports or bought at hard currency auctions. The foreign currency black market has been legalised and the number of investigations into company decisions cut.

An energy review is under way which could lead to a decision to stop building Poland's first atomic power station at Zarnowiec and redirect funds into energy savings. Ambitious plans are afoot for the development of the overstrained telecommunications system and of the petrochemical industry. Coal output is likely to fall as the most serious loss-making mines are gradually phased out of production. Seen by many – perhaps most – Poles as the inheritors of a failed system, the Rakowski team is seen by the circle of foreign bankers, industrialists and diplomats who have been drawn into the debates on Poland's future as the best chance the country

Continued on Page 6

CONTENTS

KEY FACTS

Area: 312,683 sq km
Population: 37.9m
Prime Minister: Mieczyslaw Rakowski
GDP at market prices: Zloty 14,013bn
Real GDP growth: 1.9%
GDP per capita: $1,395m
Inflation: 57.7%
Growth in industrial production: 3.2%
Currency: 100 Grozy = 1 Zloty
Average exchange rates (1988): $ = Zloty 430.55; £ = Zloty 766.69
Current exchange rates (May 1989): $ = Zloty 729.05; £ = Zloty 1195.29
Growth in volume of exports (1988): 9.3%
Growth in volume of imports (1988): 9.2%
Current account balance: -$144m
Reservers exc. gold (1988): $2,055m
Main export markets: EC 26.5%; USSR 24.8%; Czechoslovakia 6.0%; East Germany 4.2%
Main import markets: USSR 27.5%; EC 25.1%; Czechoslovakia 6.2%; East Germany 5.5%
Stock of debt: $42,135m
Debt service: $1,992m
Debt service ratio: 14.85%
All date 1987 unless stated otherwise

PROFILE: MIECZYSLAW RAKOWSKI

So much to do, so little time

Prime Minister Mieczyslaw Rakowski: under pressure

POLAND'S government faces intractable economic problems and constant pressure for immediate improvements in living standards. Small wonder then that Mr Mieczyslaw Rakowski, Prime Minister since last autumn, says his scarcest commodity is time.

"I can't buy time anywhere – that's the drama we face," says the 63-year-old politician who made his reputation as a liberal when he edited the Polityka weekly up to the 1970s and lost it when he stayed in General Wojciech Jaruzelski's government through martial law after 1981.

"The economic situation is not good," he admits, painting a picture of mounting shop-floor pressure on wages which the government is finding difficult to resist.

"The Round Table accord between the government and the opposition has had minimal influence in calming the mood. Mr Walesa's appeals for people not to strike have as little effect as mine do.

"Each week we pay out Zloty 90bn in wages for which there are no goods in the shops," he says, admitting that a recent pay settlement for coal miners which headed off a strike was inflationary. "Our energy system is coal-based and we faced the vision of factories having to stop production because of power cuts – so we gave in."

The Polish economy needs to be restructured if it is to expand, he says, but that means financial reserves which he doesn't have. So far the West has come up with little concrete support despite its praise for the Round Table accord. "The western promises so far come down to proposals to train our managers," he says, adding that Holland was the latest to assign $1.5m to this end. Italy, whose president Francesco Cossiga visited Poland earlier this month, had been the only western country to "hold out its hand" but he declined to give details.

"I don't believe there will be large western credits, and above all I count on arrangements between Polish and western companies. He says referring to the recent opening of a furniture factory at Mosina, near Poznan. Here the Swedish Ikea concern had arranged loans worth $6m for modern machinery to be paid for in supplies of finished goods. "If there are hundreds of similar projects then we have a chance of recovery," says Mr Rakowski.

He denies that all the loans made to Poland in the 1970s were wasted. In those years, 2,000 factories were modernised and 2.5m jobs were created. Now all new credits go on boosting production in areas such as food processing, where there are quick returns.

It can be expected that Mr Rakowski will want to form a new government after the June 4 elections. Several of his ministers are standing for the new parliament and he expects Mr Mieczyslaw Wilczek, the industry minister, to be one of those who will win a seat. But failure at the ballot box will not disqualify a minister from continued service.

What will happen, though, is that more members of the other coalition parties and catholics will be asked to join the government as well as take posts in local government and the diplomatic service.

"We have to significantly reduce the number of posts held by communist party members," he says. It may well be that opposition figures will also be asked to take official posts.

"I want to put together the widest possible front of people running the country," he says, "but we'll see if the opposition will take up the offer or choose to stay as mere critics in parliament."

In the past eight months the government under Mr Rakowski has enjoyed considerable autonomy from the party. He says no economic decision has been taken by the Politburo for example, although each quarter the communist party's top executive body does get a report of the government's activities.

'I want to put together the widest possible front of people'

At the same time relations between Warsaw and the Gorbachev leadership in Moscow are "ideal", Mr Rakowski says. "We now have the chance to arrange our system in accord with our national traditions." Indeed, he adds, the Americans are taking a greater interest in Poland's internal developments than the Soviet Union is. Contacts between the various socialist bloc countries are less frequent, Mr Rakowski suggests, than between western leaders at present. Each country in eastern Europe is going through a nationalist revival.

The Polish premier, who is still seen by Solidarity as one of its main opponents, says he is pleased that the union's leading figures now remain on good terms with the country's leadership, with whom, after all, they spent two months at close quarters during the Round Table talks. "I think it a good sign that both sides have come to terms with the past and see the need to free themselves from mutual hostility."

But he criticises Solidarity's election campaign for concentrating too much on the past and not talking about the challenges the future will bring. Also, he complains, no one is talking about people working harder nor mentioning that reforming the economy will bring some hardship.

Mr Rakowski is critical too of the OPZZ official unions who continue to make demands. According to government figures 900,000 people have joined Solidarity since it was legalised last month. For the moment, too, the OPZZ membership is holding up. This could change after the elections if Solidarity registers good results and its activists can concentrate on rebuilding their movement. But Mr Rakowski suggests that Solidarity will not again become the mass movement it was in 1981 when it was "a national rebellion against the way the country had been governed up till then."

Much has changed since then, he says, but present political developments are in a sense even more serious. "We're on a hell of a hairpin bend on which it's easy to come off the road or even hit a tree."

Christopher Bobinski

John Lloyd on the country's $39bn hard currency debt

Much talk, too few decisions

EVERYONE has a word to say about the debt. At a packed election meeting in the Zoliborz district of Warsaw, Mr Jacek Kuron, the Solidarity veteran, tells his listeners he knows all about America "because I spent six days there" and warns them the US will not bail Poland out because it has a large enough deficit of its own.

Mr Wladyslaw Baka, the politbureau member in charge of economic affairs, calls the debt "a prime test of our political will." Mr Andrzej Olechowski, an official in the Ministry for Foreign Economic Relations, asks: "Why are the West Europeans not taking a lead on this? Why just words?"

Western diplomats, quizzed about what their governments will offer, say they do not yet know. When asked what President George Bush will announce on his forthcoming trip to Poland, after offering last month to support "sustainable new schedules" for Poland to repay its debt to the Paris Club nations and calling for "programmes that support sound, new, market-oriented policies", the diplomats say time will tell.

The problem, as laid out by the Mr Andrzej Wrobleski, the Finance Minister, is simply and horribly this: Poland's hard currency debt amounts to $39bn, its rouble debt (to the Soviet Union) Rs6.1bn. Of the $39bn, $25bn is owed to the Paris Club nations, $9bn to the commercial banks and $3-4bn in hard currency to the USSR.

At present, Poland is dealing with the problem by not paying – or not paying all of – the interest and the capital. It has rescheduled its debt to the banks, and will from now on pay back some $700m a year. Under the Paris Club agreement signed in December 1987, it should be paying back $3bn a year: in fact, in the current year, it will probably pay back only $500m.

Finally, separate discussions with West Germany is going on to settle the future of a separate DM1bn loan. Mr Wrobleski could be forgiven for feeling beleaguered.

Since the situation is impossible, ideas abound. Mr Baka has floated the idea of carving the debt into three and asking for a moratorium on one part of it, for another part to be transferred into investment capital in the Polish economy and the last third to be rescheduled but, ultimately, paid. Mr Franciszek Gaik, the chairman of the Planning Office, says that it "could be possible to convert part of the debt to

Continued on Page 4

PROFILE: LECH WALESA

Back from the political doldrums

Lech Walesa: his opinion poll rating has reached 91 per cent

ONCE MORE Lech Walesa is in the political limelight, confirming him in his role as one of the few Poles in a position to command the confidence of a majority of his fellow countrymen.

It has been a remarkable recovery from the doldrums of the last few years. The authorities seemed then to have the initiative and Mr Walesa's pleas for a return to the policies of accord continued to fall on deaf ears.

The turning-point for the 46-year-old electrician from the Gdansk shipyard – who has eight children and the Nobel peace prize – came last autumn when he appeared for the first time on national TV in a debate with Mr Alfred Miodowicz, the official union leader.

Mr Walesa was older and had put on weight since Poles had last seen him on their screens, but the passion with which he put the case for Solidarity's return rekindled the support he had once enjoyed.

From then on, the confidence expressed in him in national opinion polls, which had dropped in the middle of last year to some 25 per cent, grew to reach almost 60 per cent in January and 91 per cent in Krakow this month.

The past few years have shown how strong Mr Walesa's position is and to all intents and purposes he looks fit to dominate the political scene for as long as he chooses – barring, of course, a return to martial law policies by the authorities.

For the moment Solidarity is concentrating all its efforts on the June 4 elections and, again, the list of candidates recommended by Mr Walesa looks set to sweep the board, further strengthening his position in the opposition.

He may be tempted to reach for the country's top post in the future

He continues to stick to the moderate approach he had in 1981 and kept to throughout martial law. Now he goes out of his way to mollify official opinion, seeking to calm industrial unrest and reminding his followers that too radical an approach could provoke the establishment to use force. He argues that economic reform and the granting of equal rights to the private sector, are essential to Poland's economic recovery.

He answers his critics who claim that decision-making in the movement is undemocratic by saying that developments in the past few months have been so fast as to make consultation impossible.

He tells mass meetings that it is his task to re-establish the union and once that is done its members will decide about policy.

At these elections it seems that General Wojciech Jaruzelski will be chosen as the country's president for the next six years. But it is quite conceivable that Mr Walesa will be tempted to reach for the country's top post in the future.

Christopher Bobinski

FOREIGN TRADE

Competition on the increase

MR DARIUSZ Przywieczerski gives the impression – probably intentionally – of being something of a buccaneer. He took over the Universal Trading Enterprise in 1986 and has steadily enlarged its operations ever since.

He has raided the territories of other trading companies by selling agricultural equipment and computers, and he will soon be importing western cars (Volkswagen). The heads of the other companies complained to the commerce minister, but got little joy because the minister took Mr Przywieczerski's side.

He has built up Universal's hard currency exports from $62m in 1985 to a planned $200m this year, and expects to continue. He says the languishing of Poland's foreign trade in the 1980s was due only in part to the effects of martial law, and as much, perhaps more, to "lazy people".

He is not content to define his job merely as trading. He seeks to attract foreign capital to share in the rebuilding of the Polish infrastructure. This, he says, has not been routinely replaced since 1976, when the last big foreign loans came in. He has founded the BIG bank (an acronym from its Polish full name) and is running for the Senate. He is, by Polish enterprise standards, a young man (43) in a terrible hurry.

On offer are cheap labour and tax holidays

He cannot be fast enough. Poland's decision to use exports as a principal engine of growth is having some success. But this is nothing like enough to cope with the problems.

Exports last year to the West totalled $8.3bn, up 17.4 per cent on 1987. Imports stood at $7.2bn, up 23.9 per cent on 1987 – a surplus of $1.1bn. In the first quarter of this year exports were $1.95bn, an increase of 8.3 per cent over the same quarter in 1988. Imports stood at $1.65bn, also an 8.3 per cent increase, yielding a $300m surplus.

The rouble trade is even more successful (though less valuable). Exports totalled nearly 12bn roubles last year, with imports at 10.8bn roubles – a surplus of nearly 1.2bn roubles. In the first quarter of 1989, exports exceeded 2.5bn roubles, while imports stood at 2.2bn roubles – the continuing fall in import value reflecting the falling price of Soviet oil. The current year's plan for the growth of hard currency exports is for an 11 per cent increase to $9.1bn. By 2000 the plan is for sales to have trebled.

But the balances cannot address the overhanging debt of $39bn. They are inadequate, indeed, to cope with the demands which the restructuring of the ageing Polish infrastructure will put on hard currency. Foreign trade, assigned priority and a hyperactive minister in Mr Dominik Jastrzebski, must bear a weight too great for its still-slight shoulders.

Enterprises are becoming more export-conscious, and have the powers to enter into the market on their own account, thus breaking the foreign trade monopolies. But they are starved of hard currency, and many more search vainly for a foreign partner than have found one.

Trade cannot be built up by Polish enterprise alone, hence the emphasis on attracting foreign capital which can, as Mr Przywieczerski recognises, both transform the technical level and make a profit on exports. Already, more than 700 mainly small "Polonia" companies, run by former Polish emigres, are established in the company, attracted by a seven-year-old law which marked the first stage in economic reform. Now the ambition is to attract bigger fish, such as the Japanese company Asahi. A longed-for $100m investment in a float-glass plant is a deal that is "all but" signed.

Mr Zdzislaw Skakuj, a former export director for the Gdansk Lenin shipyard, and then for the a Poznan engineering plant, was appointed in January this year to head up a new foreign investment agency. The brief was to clear away the entanglements in front of foreign investment.

Since January, he says, he has entertained 1,500 foreign visitors, received 270 applications to set up limited companies and signed 76 licences to to do so. His legal instrument is the law on foreign investment. This is a dazzlingly liberal (for a socialist state) piece of work, which invites in foreign capital on the easiest of terms. He has had enough time in the job to sense its possibilities – and its problems.

These include:

- Insufficient knowledge of the Polish market on the part of many of the foreign investors.
- Differences in accounting standards which make it difficult to match Polish and foreign results – a problem now being addressed by the wooing in of consultants to act as middlemen in the marketplace, explaining one side to the other.
- The difficulties of valuing fixed assets because of the lack of a capital market.
- The lack of finance, since foreign banks are still reluctant to lend. Until Poland reaches a deal with the IMF and the Paris Club nations on its debt, credits will be hard to come by.
- The need for a more precise law on joint stock companies, and on taxation, both now under preparation. Mr Skakuj sees the second as particularly important: it is designed to shift the burden away from companies, which presently pay tax on payroll, to individuals, who will be made responsible for their own tax payments.

On offer is cheap labour, much of it well trained and young; tax holidays of up to six years if investment is made in such sectors as electronics, building materials and foodstuffs; low price for fixed assets; and access to Eastern Europe, especially the Soviet Union. More than 100 companies offering co-operation with Western partners in almost any form joint venture, investment, technology transfer, supply of components, technical training and marketing expertise and access to foreign markets.

Most of all, perhaps, a chance to come in at the ground floor of a project the marketisation of the Polish economy. If the project were to pick up speed, it could liberate inventiveness, enterprise and growth like a crushed spring.

John Lloyd

John Lloyd on the unique and fraught path of economic reform

An irreversible process

ECONOMIC reform is an inadequate description for the process now under way in Poland. The attempt to force a command-socialist economy into a market mould — while retaining power in the hands of the ruling Communist Party, maintaining the level of social and public services, and keeping full employment — is a unique and fraught project.

Is the process irreversible? Yes — if only because no sufficiently powerful force in the country still believes in command-socialism and so there would be no one to effect a counter-reformation.

But there is also no reason why the reform should succeed. It certainly will *not* succeed, in the view of ministers, officials and of the opposition, unless help comes from abroad.

Gustaw Wilinski, the former spokesman for Szczecin police and founder of Gustaw Securitas, one of the Eastern Bloc's first private police forces, with one of his guards

Though the reform process is now being pursued more vigorously by the government of Mr Mieczyslaw Rakowski, it is not a thing of the past year only. The Ninth Polish United Workers Party congress of July 1981 adopted a programme on "Directions of Economic Reform" which gave salience for the first time to such market indicators as profit, price and interest rates.

In subsequent laws passed later that year and in early 1982, laws on state enterprises and on foreign trade established the primacy of the financial result, of independent company activity, and of rights to conduct foreign trade. In July 1982, legislation was passed permitting companies to be set up with foreign capital — so long as the foreign partner was of Polish descent (there are now over 700 of these so-called "Polonia" companies in Poland). A further joint venture law, which had little success, was passed in April 1986.

The PUWP's 10th congress in July 1986 surveyed the rather meagre results — and, encouraged by the example of economic reformism in the Soviet Union, decided to quicken the tempo. A programme for the second stage of reforms was passed through Parliament in February 1988, and still acts as the context within which changes are now made.

The obvious difference between the first and second stage of the reforms is that the latter are inseparable from political, as well as economic, liberalisation. The constriction of the first stage within the period of martial law, during which a Western boycott saw trade decline and credits refused, has given way to a period in which the milestones of political reform are used as bargaining counters by Polish leaders on the world stage.

It has, at times, seemed as though ministers were saying to the West: we have made the reforms you wanted, now give us some money. Democracy is being ushered in not so much on the back of popular pressure as on a tide of unpayable debt.

A relief from the pressures of debt repayments, and the extension of further credits, is the central anxiety. Mr Janusz Kaczurba, deputy minister of foreign economic relations, says: "Without credit it would be possible to carry on with the reforms, but at a snails pace and that would be no reform. Without a safety net of foreign currency reserves the reform stands no chance of picking up speed, and thus succeeding."

The two important laws passed under the second stage of reforms in December last year — on economic activity and on foreign investment — have, in formal terms, established an environment within which all enterprises, state or private, enjoy the same conditions.

Foreign capital can come in to Poland to form joint ventures, set up wholly-owned subsidiaries and repatriate all but 15 per cent of earnings in hard currency. Individuals should find a receptive ear in government, at the banks, and at local government level, to plans for setting up their own businesses. At the same time, controls on the price of hard currency have been lightened

It has, at times, seemed as though ministers were saying to the West: we have made the reforms you wanted, now give us some money

and foreign currency is now auctioned between companies.

The benign effects of these reforms are coming through — but slowly, and in a thin trickle. More alarmingly, the reforms are using up foreign currency reserves with dizzying speed. Mr Andrzej Olechowski, head of the West European department at the Ministry for Foreign Economic Relations, says: "We're seeing the reforms enter into an area of great difficulty. Perhaps, on reflection, we shouldn't have done some of the things we did without larger reserves. The liberalisation of imports, and the auctions, are using them up very fast."

At the same time, the psychology of the country's managers and workers lags far behind the legislative changes. The habits acquired during 40 years of a command economy cannot be erased in a few months.

Mr Janusz Lucki and Mr Pawel Zielinski, who have opened a private bank of sorts in the textile city of Lodz, are examples of the new entrepreneurs. They say they find local councils unhelpful, customers over-demanding and staff fearful of change in work practices. Mr Franciszek Gaik, head of the planning office, notes that the "psychological atmosphere in management has often not changed ... many in companies still look to us to solve their problems".

Money *can* be made in Poland by private capital: in the port city of Szczecin, Mr Zdsislaw Zniniewicz is a zloty billionaire through his manufacture of half-moon glasses and satellite dishes (to feed the hungry Polish media market).

Mr Jerzy Piskorz-Nalecki, managing director of Marine Consultants, handles half a dozen transnational contracts at any one time, with a team of 70 designers and managers working in shipyards and for shipping lines across the world.

In the same city, the pathology of economic freedom — increased crime — has bred in Gustaw Securitas one of the Eastern Bloc's first private police forces. Mr Gustaw Wilinski, the former spokesman for Szczecin police who founded the company last November, says that by that time, "it was beginning to be obvious that people wanted to buy security services ... taking care of one's property should be the first care on one's mind — it's the same all over the world".

Yet such private enterprise is either small (Gustaw Securitas is run out of the ground floor of Mr Wilinski's house) or heavily dependent on individual talents (Mr Zniniewicz is a formidable inventor, while Mr Piskorz-Nalecki was an international prize-winning designer for the state shipyard before setting up on his own in January 1983.)

"A lot of foreign capital is speculative," says Mr Dariusz Przywieczerski, general director of the Universal Trading company. "It's short term and it doesn't stay around." Mr Przywieczerski spends much of his time looking for longer term foreign partners to form joint ventures and help modernise Polish plants. He has had some success. A US company, as yet unnamed, is to take 52 per cent of the Romex bicycle plant, with the aim of producing a new mountain bike on modernised equipment.

The fear which stalks these reforms is of the Polish economy's inability to haul itself out of the trough between the end of a command system and the beginning of a market system. It is what Professor Jan Mujzel, a Solidarity economic adviser, calls a "socialist hell", composed of the inoperative ruins of a planning system and the still-too-skeletal framework of a market economy.

Says Mr Wladyslaw Baka, the academic economist who now heads up the PUWP's economic affairs from within the Politburo: "The problem is whether we shall raise ourselves up — or slide back down again." It is a real possibility, ever present in the minds of those who lead the Polish reform process.

Christopher Bobinski on a free market pressure group

The case for Economic Action

THERE IS still something of a dissident air about free market liberalism within the Polish opposition, with Solidarity's economic thinking dominated at the moment by the movement's social democratic wing.

But Economic Action, an opposition pressure group set up earlier this year, could well soon turn into a more substantial political movement aimed at introducing market mechanisms and reducing the role of the state in the economy.

The group represents the various local free enterprise societies which have been

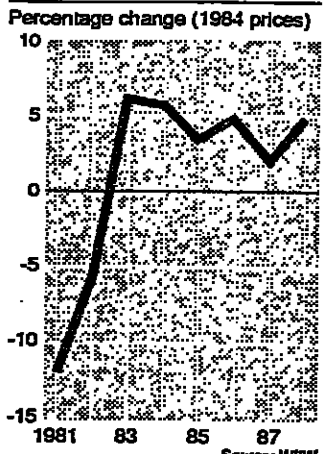
The group represents the various local free enterprise societies

springing up over the past two years. These have been set up mainly by people with Solidarity backgrounds in business, or with an academic interest in marketing or management.

The first impetus came in the early 1980s after support for underground activity under martial law began to drain away and some began to look to economic liberalism, rather

National income

Percentage change (1984 prices)



watched with dismay as at Round Table talks between the government and the opposition in February and March, Solidarity pushed for automatic indexation of wages to prices — a solution seen by Economic Action as inflationary.

But now its political significance seems likely to grow. Perhaps due to the position held by Mr Machalski, the manager of Solidarity's national election campaign, the group managed to put several of its supporters on to the

Economic Action could soon turn into a more substantial political movement aimed at introducing market mechanisms and reducing the role of the state in the economy

than a trade union-based opposition, as a solution to Poland's problems.

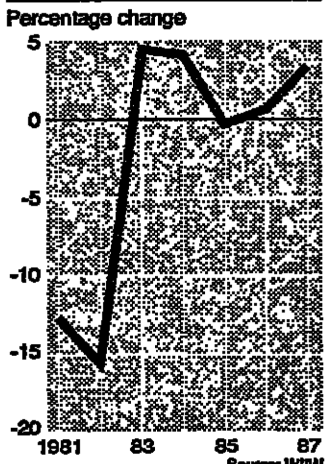
Founders of the group include societies in Warsaw, Krakow and Poznan and the group is headed by Mr Andrzej Machalski, who runs Unicum, a successful conglomerate of small companies originally founded by Solidarity supporters who, after internment, could not go back to their old jobs.

Before the election campaign got under way the group sought to influence government policies through statements, and at one point was even invited to a meeting with Mr Ireneusz Sekula, the deputy premier in charge of the economy, who told them that the government was open to any suggestion.

At the same time the group

Gross investment

Percentage change



movement's national list of candidates for the next parliament.

These include Mr Andrzej Zawislak, an academic from Warsaw University's management faculty who, after the Round Table talks, condemned Solidarity for its stance on indexation and warned that the movement could turn into a populist force and dash hopes of economic reform.

Economic Action's presence in Parliament should give the movement a public platform at home and greater opportunities to influence opinion abroad. It is keen to encourage Western investment in Poland aimed at financing the estab-

Members are keen to encourage Western investment in Poland

lishment of a strong small private business sector.

At the same time, it warns that control over such funds should not be in the hands of the authorities, who would use it to bolster faltering state enterprises. Nor, the group warns, should it be controlled by Solidarity, which is dominated by its working class supporters who could force the funds to be spent on consumption.

The group's thinking, rather, is moving in the direction of encouraging Western banks to establish branches in Poland and work in conjunction with Economic Action to finance development and privatisation of the economy.

The Society for Encouraging Economic Initiatives

Lobby with powerful allies

THE SOCIETY for Encouraging Economic Initiatives (Twig) may be small and fairly new, but it does have some powerful members. Its chairman, for example, is the present Prime Minister, Mr Mieczyslaw Rakowski, who founded it in the autumn of 1987 when he was still head of Parliament's lowly economic and social advisory council. An initial loan came from the outspoken Mr Mieczyslaw Wilczek, who went on to become industry minister in Mr Rakowski's government.

In contrast to the Opposition's free market pressure groups, the Society amounts to a reformist lobby within the establishment. Its stated aims are to encourage the growth of small enterprises, win them favourable tax conditions and defend members against discrimination by the state administration as well as industrial monopolies. It also offers consulting and legal services both to Polish entrepreneurs as well as Western businessmen looking for investment opportunities in Poland.

Since it was registered in February 1988 Twig has established 35 branches in the major provincial cities. According to Mr Zbigniew Piesewicz, one of Twig's organisers, many of its 3,000 or so members are young local party officials as well as government administrators eager to dismantle the old-style centralised economic system. "We gathered those who still

Car owners are being urged to compete with taxi drivers

believed that something could be done," Mr Piesewicz says.

The Society's critics, though, would argue that it provides an escape route for members of the establishment set on reforms while, at the same time, enabling them to pick up shares in companies along the way and use their political influence to compete unfairly with other enterprises.

Members include ambitious industrial managers like Mr Witold Pyrkosz from the Teofilow textile works in Lodz who was recently promoted to the Communist Party Politburo, and Mr Witold Zaraska, from Exbud in Kielce, a fast-expanding construction company, who is standing for the Senate in forthcoming elections. Mr Zbigniew Czarzasty, the secretary now in charge of the Communist Party organisation, is on the Twig council.

There are also academics specialising in management and organisation with whose help the Society is planning to open a business school to help train managers.

Through its members the Society has a good appreciation of the buildings and machinery going to waste throughout the country — the relics of once-ambitious schemes that ran out of funds and had to be abandoned. One of the sources of finance for Twig is a service providing information about such opportunities. The society also has a foreign trade bureau and has hard currency retail shops selling consumer goods to Polish citizens. Local branches have their own businesses, sometimes set up in conjunction with local government.

In Lodz the Society was involved in helping to set up a small local commercial bank alongside the established banking system. It is now helping to set up the Economic Initiatives Bank — a more ambitious financial venture aimed at supporting new investment.

In Krakow the society is much engaged in pushing for a special economic opportunity zone which would encourage foreign and domestic investment. In Olsztyn, where Twig is headed by the region's deputy administrative chief, the Society is encouraging local drivers to compete with the established taxis on a part-time basis. The initiative, which involves more than 1,000 car-owners who offer their services for 20 per cent less than full-time taxis, has aroused protests, though, from the professionals, many of whom are private.

The group continues to maintain an active interest in politics. It will be supporting those of its members who have decided to stand in the June 4 elections with campaign workers and funds. Such candidates include Mr Mieczyslaw Wilczek who is standing in the free vote for the Senate. He is from Siedlce province where he founded his profitable private business. Another is Mr Alexander Kwasniewski, a government deputy premier, who is competing for a Senate seat with Solidarity in Koszalin on the Baltic coast.

Christopher Bobinski

John Lloyd examines attempts to change the face of Polish industry

Getting tough and turning to the market

Mr Jerzy Piskorz-Nalecki: plans to have no unions

INDUSTRY Minister *Mieczysław Wilcek*, when interviewed for the FT in March, was concerned to pose as a ruthless figure. He was *cutting, and wanted to be seen* to be cutting. Most dramatically, he had ordained the closure of the Lenin shipyard in Gdansk, birthplace of Solidarity and workplace of Lech Walesa. The state had no further use for it. If anyone wanted it, they could buy it.

Someone has bought part of it. Mr Jerzy Piskorz-Nalecki, managing director of Marine Consultants, a successful 70-strong design and consultancy group based in Szczecin, has teamed up with the Anglo-Polish group Durainsul to buy one of the three yards within the Lenin complex. Mr Piskorz-Nalecki speaks in even harsher tones than Mr Wilcek. He plans to cut the workforce to 1,000, to raise productivity – and to have no unions. Grumbling over the government's agreement to allow a plurality of unions, he says: "One union was bad enough." He admits workers will be free to organise unions – but notes he will also be free to fire them.

At the Warski shipyard in Szczecin, Mr Andrzej Kurowski, the deputy director, admits that the Lenin yard's closure had an effect: "You have to say it set a certain mood – it was such a shock."

In this the new face of Polish industry? *Is it* to be the case that, just as Solidarity is legalised, it is to find in a privatising *management as large* an enemy as the State has been?

There is no doubt that Poland's leaders take the view *that much of* Polish industry is ageing, uncompetitive, too heavy, often badly managed and frequently unproductive. Broadly, their solution is the market: a list is now being drawn up of state enterprises which will be "privatised": and foreign capital is being wooed in to assist in the modernising process. Up towards the mouth of the Oder and along the Baltic coasts, custom-free zones are being established as a forerunner to economic zones, in which foreign industry will be granted greenfield sites which, *together with the range of concessions* developed by the government, is seen as a breakthrough area for foreign capital. The zone's vice president, Jan Stopyra, talks of interest from all over the world – particularly Austria (which is investing heavily in Poland, and whose banks tend to lead in project financing), Scandinavia and Japan.

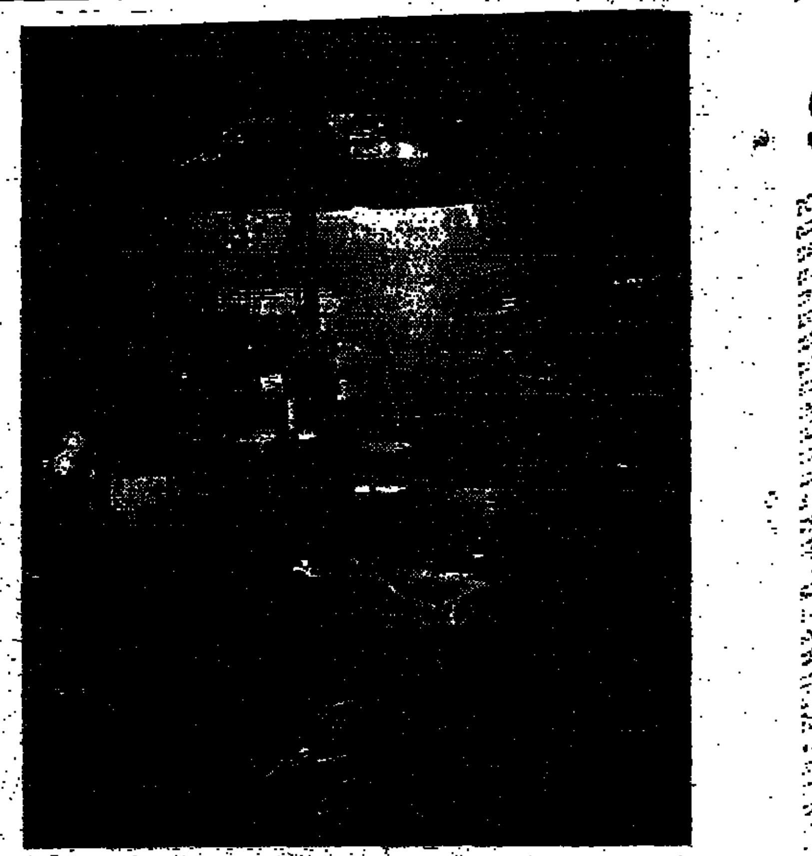
They also talk of getting tougher. Though the recent copper workers strike was settled by a climbdown – with the workers getting most of the 50 per cent they asked for – other strikes in Lodz and Plock were faced down and crumbled. Senior government officials say the more inefficient coal mines will be closed – risking action from the miners, the most industrially powerful *group in the country* – and that food prices will go up sharply again after the election (around 30 per cent of state *expenditure* goes on subsidies).

New laws, too, are being prepared to help the market along. A law on local government property will allow the often sclerotic regional and local bureaucracies more leeway in assisting local enterprise; a law on shares will clear the way for the establishment of a stock exchange; a law on tax will shift the responsibility for tax payment to the individual, away from the company payroll. So far, the "privatisation" of Polish industry has been limited. Many companies and *banks* are joint stock in form – but their shareholders are, in the main, other state enterprises, or co-operatives, or regional authorities. Shares will be offered to private individuals – but the amount of capitalisation which can be expected within Poland must be limited – on *some* estimates, to five per cent at the most.

Here, as elsewhere in the economy, there is a kind of hiatus as the problem of dealing with the debt grinds through international forums. It is not the case, however, that all parts of the traditional Polish economy are faltering. Shipbuilding at Szczecin, for example, the other centre apart from *Gdansk* on the Baltic coast, has picked up as world industry has: the Warski yard has full order books to 1993, and reckons it will make a profit on its latest contracts (it has been told by the government it must do so). It exports nearly half its production to the Soviet Union, but also wins orders from a more demanding western market. Its problem, says Mr Kurowski, is not lack of hard currency but of zlotys, as the Polish banks clamp down on credits.

Can this new market ruthlessness get established as more than just a passing and superficial style? At election meetings, Jacek Kuron, *one of* the leading Solidarity candidates, contrasts the state's preferred way of restructuring – the "way of Mrs Thatcher, whom they love" with the Swedish model of finding jobs for displaced workers before their plants are closed.

"This will cost money, and there is no money," admits Kuron. "But we must do it this way, for if we don't do it the *Swedish fashion, we don't do it* at all." It seems likely, in the shifting pattern of Polish politics, that the Solidarity bloc in Parliament, once derided as a tool of the West, will seek to act as a brake on the dash for the market which the ruling Communist Party has decreed – and which Solidarity itself supports. There is no way of avoiding the pain: but the struggle over its effects is likely to be an *open*, and bitter one.



Much of Polish industry is ageing and uncompetitive

AGRICULTURE

The chance of higher yields and a more efficient future

FARMING in Poland is being viewed in a new light as it *becomes absolutely* clear to many that one of the keys to the political situation lies in resolving chronic food supply problems.

The country has always been one of Comecon's anomalies: the farming sector is 80 per cent in private hands. An attempt was made in the Stalinist period to collectivise the land but this was abandoned in 1956. The shift in policy was not accompanied, however, by any recognition of the need to spend more money on farming.

Investment funds continued *to flow in the direction* of industry – and heavy industry, at that. At the same time, the authorities, egged on by hard-line neighbours like Czechoslovakia and the Soviet Union, continued to harbour the hope that the private farming sector could be reduced.

The results were disastrous, leaving in 1981 a fragmented system of private holdings, of which 60 per cent were smaller than 5 hectares. An ageing farming population, fearing their property would be nationalised, was unwilling *to invest and modernise*, even if government investment priorities had produced a flow of farming equipment.

The 1970 riots on the Baltic coast started by food price rises showed, however, that food was becoming a problem which could threaten the stability of the country. Compulsory deliveries of produce by farmers to the state were dropped, but little else *changed. Meat production* was supported by grain imports of up to 9m tonnes a year, mostly from the United States. This was paid for with loans which Poland is still struggling to service. Grain imports this year are planned at 3.8m tonnes and, in the event, will probably be slightly less.

After 1980 all mention of collectivisation was dropped and farm prices rose, at least *for a time. At the same time*, the number of large farms grew, and now almost 50 per cent of farming land is in units which are larger then 10 hectares. But still the farming lobby was too weak to force the government to invest in mechanising production significantly, while, at the same time, farming incomes began once more to lag behind.

At the moment Professor Josef Okuniewski, a farming expert, estimates that of Poland's 2.3m farms, perhaps 250,000, are "large and owned by well-educated and hard-working farmers". And if the government were to get its policies right in the next 15 to 20 years, this group could grow to half a million.

The past few months have seen an unprecedented radicalisation among farmers

Indeed, for the first time for many years, Polish farming now stands a chance of a more efficient future, leading to *higher yields. Grain output is*, for example, half of what it is in Western Europe. Moves to free farm prices will, in the longer term, polarise the countryside, which is over-populated anyway. The weakest will be forced to sell out or hand their farms over to a younger generation, and this will lead to the growth of large farm units. None of this will happen, however, unless *the machinery, fertilisers* and pesticides are there as well.

There is ground for optimism on this score since the new government has strong farming representation: the ministry is in the hands of Mr Kazimierz Olesiak, a Peasant Party (ZSL) member, who understands that funds and equipment must flow into the sector if it is to recover. He is promising that production of a much-needed small tractor, in co-operation with an Italian company, will start soon. He is also looking to Western capital to help finance other projects.

Already Central Soya, the US company, is involved in a joint venture in which feed concentrates are produced in Poland, using Western technology, and paid for with meat exports. Also, a West German consortium is involved in financing intensification of grain yields in Poland and credits worth $27m came in under the scheme last year. Raupol, a joint Polish-West German venture, is starting up production in Poland of spraying equipment that had previously imported. Projects like this will further improve Poland's food trade surplus.

Political developments in the countryside will also add *weight to Mr Olesiak's pleas* as he bargains with his government colleagues for those funds.

The past few months have seen an unprecedented radicalisation among farmers as protests against higher taxes and falling incomes swept through the country. In some places, notably in the east, farmers actually refused to deliver produce to the state. At mass meetings they gave vent to their frustrations: they protested that they were being treated by local officials like second class citizens, and that they had to suffer a lack of commonplace urban amenities such as running water and telephones.

Indeed, in 1981 rural solidarity was weak and the countryside was slow to organise. But now in Lomza, in the north-east, for example, membership of the independent farmers' union is growing fast, while it is the industrial workers who are hanging back.

In addition, a rather unfair arrangement in the new Senate gives equal representation to all 49 of Poland's provinces: the countryside and the *small* towns, while holding 40 per cent of the population, will get 60 per cent of the seats.

Last month the minimum farm prices the state was willing to pay went up by 34 per cent. The protests had speeded the decision which was aimed at averting the danger of a major slump in meat output.

At the same time, price controls on farm produce were removed. With 80 per cent of meat procurement and processing in the hands of Pekpol, a state-owned monopoly, this liberalisation of prices means little. But Mr Olesiak, keen to see more efficient competition in both private and state sec*tors, hopes that prices* will start to stabilise. In Pila province officials already like to say that half the meat produced is processed by co-operatives independent of Pekpol and their prices are a mere 30 per cent higher than the official retail price.

In the meantime, there is the problem of reducing state subsidies to food retail prices. This would mean, at a stroke, an increase of 260 per cent. Even were it to be compensated for by wage increases, the authorities and Lech Walesa's *Solidarity have come to* the conclusion that subsidies will have to be reduced by stages, with food prices going up by perhaps 70 per cent this year, presumably after the June elections. The prices farmers pay for equipment will also rise.

Christopher Bobinski

Much talk but too few decisions

Continued from page 2

allow us to carry out certain strategic goals in some sectors of the economy." Within the *Ministry of Foreign Economic* Relations, a proposal has emerged that repayments on the debt total no more than 15 per cent of hard currency exports – or some $1.3bn, half of the present total.

The terms are of the essence. In talks with Polish ministers, the IMF has pressed for a programme of deflation which, thinks Mr Andrzek Olechowski, would mean a drop in living standards of between 5 and 10 per cent: a situation he regards as impossible to tolerate – as do all other Polish officials interviewed.

All agree that inflationary wage settlements cannot be sustained – yet they continue. Prices of all goods and services rose by 75 per cent in the year from March 1988 to March 1989 - while wages rose by 92 per cent (the average monthly wage is now Zloty 87,300 a month: that is, on the premium rate of exchange *now* offered by the banks, about $22. No wonder cheap labour is one of the main selling points of the reformers. *The spiralling pressures* ... enterprises being charged more for raw materials and components, charging higher prices to their customers, who demand higher wages, which chase goods whose stock is not increasing as fast as money – are spinning Poland towards hyperinflation.

A Polish minister, on a *recent trip to Israel*, spoke to Mr Yitzhak Moda'i, who had been minister of finance in 1985 when Israel's inflation reached 450 per cent. How did he bring it down, the Polish minister wondered. He was told: first, by making sure everyone grasped the seriousness of the matter. Second, by getting a working bargain with the unions. Third, by having a standby credit (in Israel's case, of $2bn, supplied by the US).

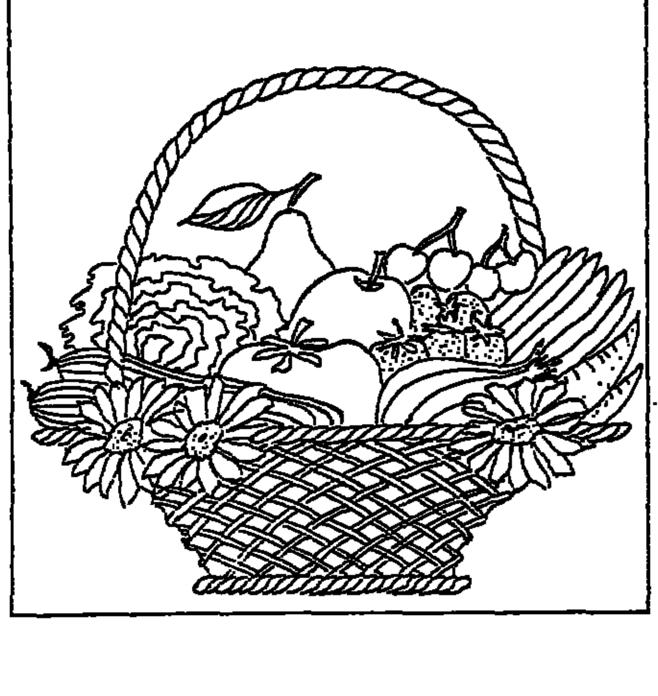
None of these conditions have yet been won in Poland: yet until they are, the IMF is unlikely to give its approval to rescheduling arrangements, the all-important Eximbank unlikely to re-admit Poland as a client and the credits unlikely to flow. Rigour – even greater than that experienced today – looks like being the cold dish Poland will have to eat for years.

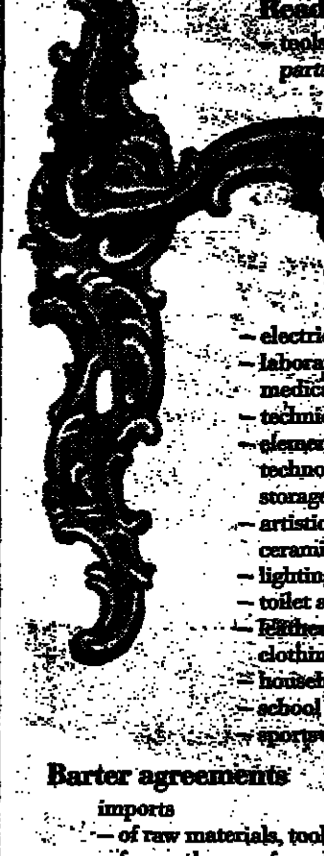
The overhang of debt has not, however, paralysed the will or the activity of the financial authorities. The banking system has been and continues to be re-organised: out of the National Bank have come nine commercial banks, which now compete for custom with varying interest rates: these co-exist with two PKO banks, one for savings, another for hard currency. The Finance Ministry is keen on selling at least 50 per cent of the state's shares in the PKO hard currency bank to the public and to foreigners in order to build up its capital.

Private banks are now welcomed – but only one has so far appeared, and that is a curious venture. It is the Lodzki Bank Rozwoju, founded by three friends – Mr Janusz Lucki, Mr Pavel Zielinski and Mr Maciej Lapeta – and opened for business as a joint stock company in the textile city of Lodz in September last year. Its shareholders, mainly Lodz enterprises, put up a capital of Zloty 1bn, increased to Zloty 5bn in January of this year: this capital, say the three founders, is usually lent on a short-term basis to companies in Lodz who find themselves with cash flow problems because of the difficulty of getting credit from the state banks.

Mr Lucki, the president, says that "we have so far advanced Zloty 7bn in loans ($1.7m) mostly on the short term . . . and we've been making profits from the first day. The shareholders decided not to take a dividend this year and to use the capital for expansion, but they will get a good dividend next year." The founders have *encouraged* groups of like-minded entrepreneurs to set up affiliated banks in other towns – but to do so under their own steam, without relying on the Lodz forerunner.

Why is it curious? Because Mr Lucki sports a little PUWP badge in his lapel – a rare sight in these days when the Party is held in low esteem – and Mr Zielinski, whose title is consultant to the bank, was formerly a full-time party worker. It seems possible the bank will be close to the Party (though there is a pin-up, rather than a Lenin poster, above Mr Lucki's desk) and may be a sign, evident elsewhere, that the Party is deliberately encouraging its people to move into the new commercial sector in what Professor Jan Mujzel, the Solidarity economic adviser, calls the "privatisation of the *nomenclatura*" – adding that, if they do a good job, that would be no bad thing.





As trade union pluralism becomes fully established, enterprise managers dread an upsurge in militancy, writes **John Lloyd**

Solidarity has a rival in the fight for workers' rights

POLAND IS alone among communist countries in having trade union pluralism. The eruption of Solidarity in 1980, its stubborn underground existence throughout the 1980s, its rapid adoption as a bargaining partner for the government early this year in the face of a deepening economic and political crisis and its final legalisation in April, have stamped a unique pattern on the nature of democratisation in the country: one commanded by a mass organisation, from below.

But that merely begins the story. Solidarity was never just a union: it was and is a diverse social protest movement: a national expression of disaffection with the nature of the rule of the Polish United Workers Party and the conditions under which it was exercised. In opposition to a totalitarian order it had an unmatched moral initiative and the adhesive power of emotion and hope on its side: as a part-partner, part-opponent in a new "system" of semi-democracy, seeking to bed itself down in the febrile conditions of economic crisis, Solidarity faces its most formidable test.

So, too, does its competitor, as it must now be reckoned: the Ogolnopolskie Porozumienie Zwiazkow Zawodowych (OPZZ), the confederation of factory-based unions reformed from the old official unions after the first Solidarity challenge.

It seemed the official union was stumbling towards decline

At first sight, it is in the unenviable position of the collaborationist who finds that the authority with which it has collaborated is making a deal with the former enemy – and that is part of the truth.

When Mr Lech Walesa had the upper hand over Mr Albert Miodowicz, the OPZZ President, during the TV debate which started the Round Table process, it seemed to many that OPZZ was stumbling towards inevitable decline: an impression strengthened by observing the OPZZ sidling up to the Party hardliners during the Round Table talks, speaking darkly of the perils of reform and the backlash it would unleash.

Professor Jan Mujzel, one of Solidarity's leading economists and a participant in the round table, noted that tendency but now says that "it seems they have realised that to be a mistake, and will follow a populist line, making demands for their members which the enterprise or society as a whole cannot meet – but that can have some success." This move, indeed, was marked by Mr Miodowicz himself, in a speech he gave at the conclusion of the Round Table talks, when he warned that "we cannot agree that those who bear the consequences, not of their making, of a bad system and bad policy, are the only ones to pay for their removal."

Mr Romuald Sosnowski, OPZZ's vice president, points up the new strategy in his office in the confederation's dour building in the centre of Warsaw. He represents OPZZ as a fighter on behalf of workers' rights; for an increase in the miserable incomes of pensioners and invalids; and shows some pride in having won a case in court, against the government, to protect a social payment to pensioners the government had wanted to scrap; and he cannot forbear to say that "here it was a bit surprising that our colleagues from Solidarity were not interested in this case, so important as it was to so many people – but perhaps they are not yet pensioners."

The comment, and the actions of OPZZ, may point to a healthy development of union emulation – vying with each other to provide better services. That will, of course, be part of the new terrain. The other, which enterprise managers say they dread, is that the competition will take the form of emulative militancy, common enough in multi-union settings in the UK, Italy and France, where the unions will seek to attract members and fees through the extremism of their wage and social demands.

Both, as signatories to the Round Table agreement, deny vehemently that is their intention. But in the mid-May strikes at the copper mines near Legnica in Silesia, both OPZZ and Solidarity activists were involved at local level, acting against the expressed advice of their national leaders – thus adding to the dual-union problem the worse vision of unions who lack discipline from above. It in such moments as the copper miners' strike that the nightmare, common to both Party and Solidarity leaders, of a new revolt from below which is incoherent but enraged, finds its root.

Says Mr Andrzej Machalowski, the successful private businessman who runs Solidarity's national election office: "A populist movement could come because people are tired of promises and of nothing being delivered ... there could be a situation in which there was an outburst of popular resentment. It would be a spontaneous movement from the working class, producing its own leaders."

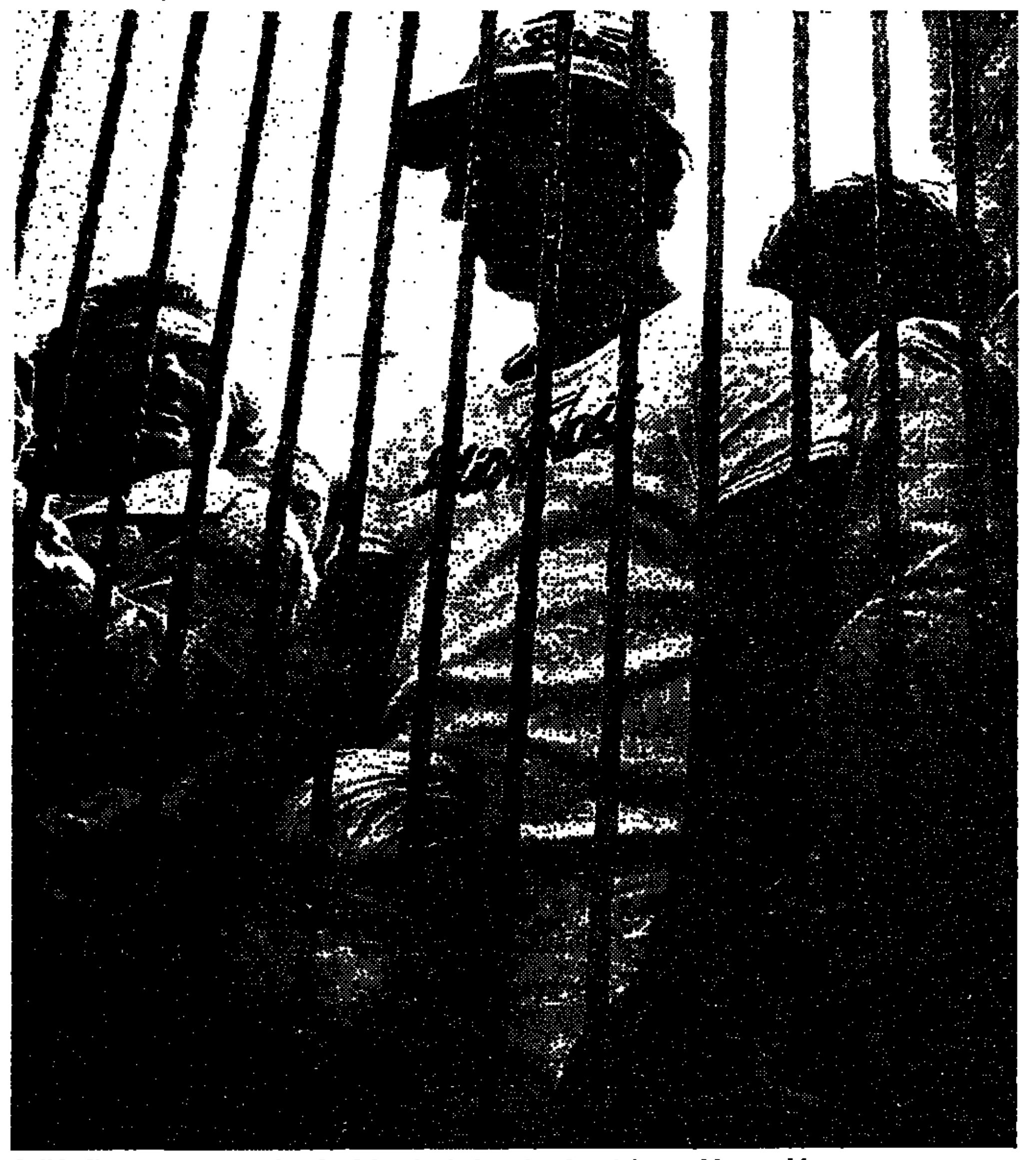
Something a little like that already exists: it is Fighting Solidarity, the group which has broken with "official Solidarity" because it believes Mr Walesa and his group has compromised too much in talking to, and agreeing with, the government.

In the Szczecin shipyards on the mouth of the Oder, the Party secretary in the Warski shipyard, Mr Jerzy Kasak, sounds a little unctuous when he notes that Solidarity is more concerned with its internal struggle with Fighting Solidarity – led by a former comrade of Walesa's and the founder of Solidarity in the Warski yard – than with developing a partnership with the management: but Ms Dorota Jasina, one of the leaders of Solidarity in the city, admits that the split is deep and at present unbridgeable.

Solidarity has taken a gamble: that it can help further, and benefit from, the steps towards democracy which the reform group within the Party now promotes.

In the process, it will, of necessity, develop a political party structure within the senate and the Sejm (lower house) where it will win seats. Some – such as Ms Jasina – think it will be able to develop an organic link between its industrial and political wings, rather like British Labour (which is presently travelling in rather the opposite direction). Others believe it will cede the ground industrially as it becomes a political movement. No one knows, or can know.

The nightmare of a new revolt from below has taken root



Solidarity supporters gather in Gdansk: their union has taken a big gamble

THE PRIVATE SECTOR

Entrepreneurs discover that small can be beautiful

MR ZBIGNIEW Kolanko's private company is not large, and he has not run it long, but already he has had to face a strike and has ended it on his own terms. "It was a strange feeling, since in 1980 I'd been on the other side in Solidarity at Kowent in Kielce province where I used to work," he says.

Mr Kolanko, a 41-year-old mechanical engineer, is producing industrial air filters, which is what he had done at the state factory at Kowent. He set up his own business in 1986 and this year was exhibiting at Poznan's environmental fair. Backed by 12 employees, his sales last year reached a value of Zloty 40m. By August he is planning to employ another 40 workers and later expand to 100. This year he expects the value of his sales to reach Zloty 200m.

"My customers for the larger items are friends from factories who knew me in my Kowent days. They come to me when Kowent can't supply their order fast enough," he explains.

If Mr Kolanko is planning to expand, Mr Andrzej Kumor, a construction engineer, has come the other way. In the 1970s he was responsible for the building of the Elana chemical fibre works in Torun – a prestige project. Later he ran the construction of the giant power plant the Poles were building in Prunezov in Czechoslovakia. Since the mid-1980s he has had a private building company employing 15 men and he agrees that small is beautiful.

Both men represent a fast-growing private sector which is providing opportunities to many to win independence of state employers and make more than a decent living at the same time.

The private sector only just survived the Stalinist period, whereafter it stagnated with many businesses no larger than the owner and maybe a pupil providing services. Its existence was regulated by the local administration and there was little competition, which meant high incomes in some cases but also utter dependence on local officials. At the same time the sector was exposed to the vagaries of government policies which at times sought to encourage development, and at others clamped down.

The official climate towards the sector began to change in the mid-1980s when private co-operatives began to be set up and later, thanks to relatively simple pre-war rules, even joint stock companies came into existence prompting observers to suggest that the developments amounted to rise of a "new entrepreneurship" in the country. Many of the new companies concentrated on importing computers and components to be assembled in Poland and used private hard currency savings to finance an effort which has helped bring home computers into the country on a major scale.

'There is still about three times as much bureaucracy as there would be in the West'

But the move into the private sector had started some time before. The number of private businesses grew from 357,000 in 1981 to 482,000 in 1965 as people abandoned the state sector after the imposition of martial law. In 1987 4.7 per cent of production came from the private sector, while in 1980 the figure had been 2.3 per cent. In 1987, a third of all services were being provided by the private sector. Seven years earlier the proportion had been only a quarter.

Important changes, though, came in at the beginning of this year when a new enterprise bill permitted anyone to start up a business by simply registering with the local authorities. Ms Ania Lubowska, who took advantage of the law to turn her hand to Chinese cooking, says: "There is still about three times as much bureaucracy as there would be in the West, but I can't imagine how I would have managed under the old rules."

In the first three months officials report 126,000 registrations with 13 per cent declaring trade as their major activity and most of the rest going into some form of production. At the same time, the upper limit on employment in private business (50 per shift fixed in the 1940s) and taxes were also reduced.

Government officials like Mr Mieczyslaw Wilczek, now Industry Minister but until last year a private businessman, say they want the sector to grow not only through the setting up of new businesses but also through the expansion of existing units. The not too distant future may also see a growing interest in raising funds through share issues and the development of a stock exchange trading not only in the shares of private companies but also partly state-owned ones.

The new private companies are also moving into foreign trade and looking for joint venture opportunities, not only as a source of Western capital but also as a way of getting easier tax conditions at home.

Nadburze, a small new private company which has been producing doors and windows for housing construction, is exploring the possibilities of going into a joint venture with a West German company talking of investing several million D-Mark and taking advantage of the Polish partner's trading contacts in the Soviet Union.

Indeed Mr Zdzislaw Skakuj, the head of the government's investment agency, says that often applications prepared by private Polish companies for joint ventures are more competent than state sector efforts.

Christopher Bobinski

Christopher Bobinski looks at tourism and private trade trips

Special interest groups grow

POLAND is not a mass market for tourism, but it does bring hard currency earnings of about $150m a year.

The country is not unattractive. The mountains in the south provide scenery in the summer and skiing in the winter and in the north-east the Masurian Lakes offer a vast area of still relatively unspoilt woods and clear water for sport and recreation. Also, once the visitor has paid for accommodation at the official exchange rate of Zloty 700 to the dollar then the rest of his expenses, at the now quite legal free rate of nearly Zloty 3,800 to the dollar, must make Poland one of the cheapest countries in the world.

The bulk of foreign visitors, though, are from special interest groups – Poles living in the US and elsewhere who arrive in search of family and roots. Indeed, one of the reasons why Lot, the Polish state airline, was finally prompted into spending $170m on three Boeing airliners for its transatlantic route was the prospect of losing the business of US tour operators wary of Lot's Soviet-made aircraft.

There is also a growing trickle of Jews from Israel and the diaspora anxious to commemorate the victims of the holocaust. Another large group of visitors (352,000 in 1987) are Germans, many of them wanting to revisit their former homes in the territories that passed to Poland after the war.

There is a serious shortage of hotel accommodation. Warsaw alone is estimated to need 5,000 more beds, and hotel development is one of the areas in which western investment is taking place.

Near the city's main railway station, a Holiday Inn being put up by Warimpex, an Austrian company, is soon to be completed on schedule. Across the road the Lotair terminal and Marriot Hotel joint venture is, following a chequered history dating back to the late 1970s, also nearing completion.

Orbis, the state-owned tourist operator has an agreement with Warimpex for a further nine hotels – the next one in the mountains in the south-west and another one in Warsaw. Also, talks are continuing with Trust House Forte about jointly developing the venerable Bristol Hotel in the city centre, renovation of which shows every sign of being bogged down at present.

Warsaw alone is estimated to need 5,000 more beds

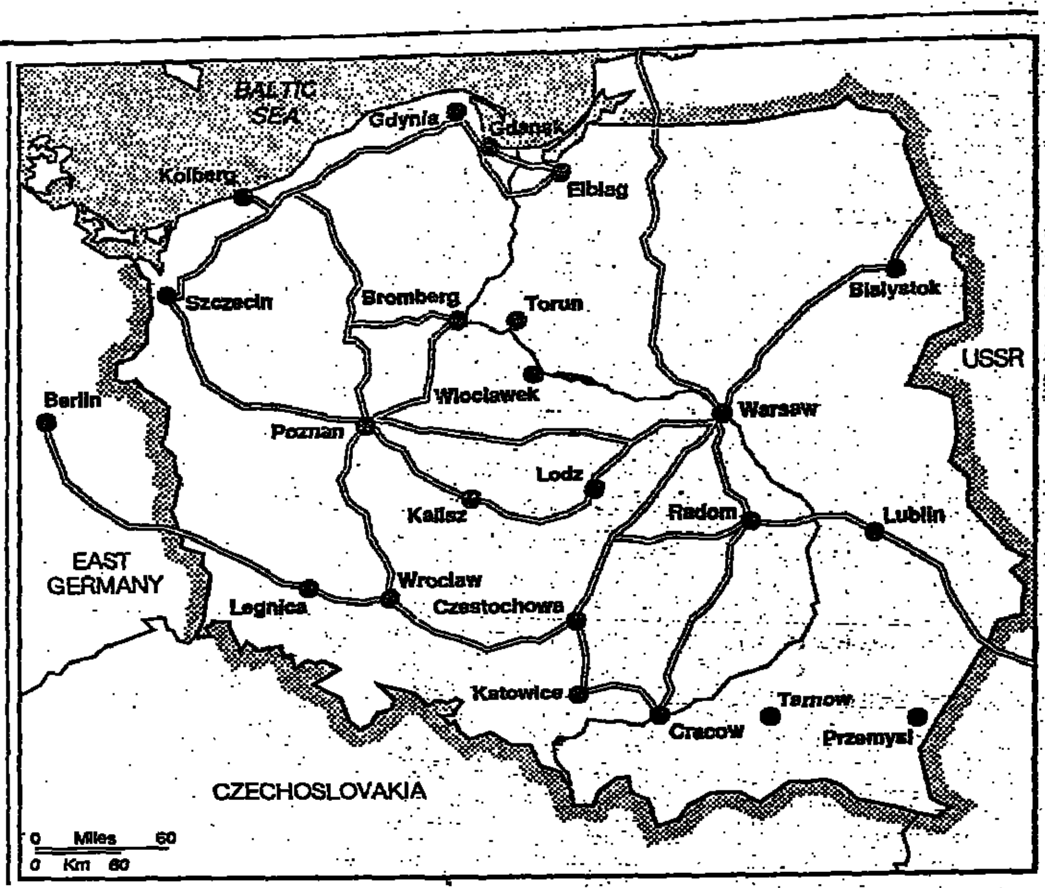
Just as western tourists in Poland are a source of hard currency, so Poles travelling abroad in ever-larger numbers are also helping to bolster the country's economy.

The beginning of this year saw a liberalisation of passport regulations which means that, in effect, Poles can now keep their travel documents at home and not have to hand them in after each journey.

As a result, the queues this year have grown outside western consulates, four-fold in some cases, to the despair of harassed visa officials. West Germany, Sweden and the United States are favoured destinations for young men who go to work illegally for months at a time and come back to take advantage of the standing of the dollar on the internal market. The Polish PKOSA bank branch in New York is transferring $1m-worth of savings home each day, for example. Traditionally, the level of hard currency savings in Polish banks dips before the summer but rises above the pre-holiday level afterwards.

Another source of tourist income is the private trade trip. Turkey is a favoured trade route with planeloads of private individuals bringing back denim clothes for sale at home. Trading parties have also been sighted as far afield as Peru and that country's embassy also reports a growth in interest in visas by Poles. Weekend trips to West Berlin to sell food items in the streets have become notorious. But other travellers are more ambitious.

A fairly typical week-long round trip by car would see the traveller taking cheap clothes, cosmetics and, perhaps, some car parts to the Soviet Union. There he could sell some of his goods and buy, in return, gold and, say, cotton. Then in Hungary he could sell the cotton and the clothing from Poland and buy in exchange US dollars on the black market. Then on his return home the hard currency and gold can be turned into Zlotys and the trip repeated.



On the verge of a new era

Continued from Page 1

has had for real development.

The government could falter as a result of the election: but there is a safety net for the regime. It seems clear that General Wojciech Jaruzelski, the communist leader, is destined for the post of president. This is a new institution with powers on the French model, designed if the need should arise to secure the country's adherence to the Warsaw Pact and the communist establishment's position. The authorities feel that, given the much freer political debate that will now be heard in both houses of parliament as well as the liberalisation of the media, such safeguards may be needed.

Greater freedom could, in the next few years, lead to major shifts among the political groupings on both sides. Warsaw political circles speculate that the communists could split into a social democratic wing and a hardline grouping. The now-subordinate Democratic Party (SD) and the Peasant Party (ZSL) could attempt to take advantage of the fact that the communists will only have a majority in parliament's lower chamber with their support and try to break for independence. The Solidarity leadership will do its utmost to keep its parliamentary group in line and voting as one block. But that too could change: a handful of the 261 candidates are supporters of the right wing free market groups like Economic Action, which on many issues are sympathetic to present government policies. Farmers Solidarity, which will also be represented in parliament, could decide that rural interests were being insufficiently defended by Walesa's economists and strike out alone. So Solidarity faces some serious policy debates in the coming months, which could lead to further splits.

The most important debate is how far the movement will be a reforming political group and how far a trade union pure and simple – and on that there is no consensus, nor can there be until the Solidarity group in parliament has a chance to show what it is made of, and whether or not a workable relationship can develop between it and the movement in the country.

The composite picture is at different times exhilarating and horrifying, full of hope and shot through with despair. Encumbered with foreign debt, still trapped in the dying coils of state planning, with increasingly desperate pressure on the political establishment – and that is coming to include both the authorities and Solidarity – to improve living standards – Poland feels like a pressure cooker with an inadequate valve.

The attempts to introduce market mechanisms, applauded wildly in the West, risk meeting fierce resistance from a population ill-prepared to accept the loss of social security and glaring inequalities such change could bring. Freedom, even partial freedom, has given greater space for protest, but has not yet developed a political balance.

And yet . . . we are seeing a political marvel. The first real fruits of a struggle which Solidarity launched almost a decade ago are ripening in law, in legislative chambers, in polling stations, in workplaces, in the media and in people's minds. For all that it is broke, weary and daunted by the distance to travel to gain some sort of equilibrium, Poland, for so long the battleground, the pawn and the possession of larger forces, has a chance to shape itself anew.

ENVIRONMENT

Ecology 'danger zones' designated

EVEN officials no longer deny that Poland is one of Europe's most polluted countries. Mr Andrzej Kassenberg of the independent Ecological Club goes further and adds Czechoslovakia and East Germany, calling the three Comecon neighbours "ecology's Bermuda triangle".

These days, in contrast to the 1970s when the subject was taboo, ecologists can marshal even official statistics to support their case for a reorientation of economic policies. The list is frightening.

Poland has 27 areas officially designated as "ecological danger zones". These include the industrial districts of Silesia as well as Krakow, where the Nowa Huta steelworks dominates the city, and the Legnica copper mining and smelting area. The 27 zones cover 11 per cent of the country's surface inhabited by 35 per cent of the population.

The cost to the economy from pollution, including health care, corrosion and wasted raw materials, is estimated at between 10 and 20 per cent of the national income. Many rivers and lakes are polluted, sulphur dioxide hangs heavy in the air, trees are dying and each year 150m tonnes of industrial waste is added to the national 1.5bn tonne rubbish heap.

Given the problems, it is not surprising that ecological protest movements are developing. There are even fledgling "green" parties and myriad local groups devoted to single issues such as fighting plans for an atomic power station at Klempicz near Poznan. A handful of ecologists looks likely to be elected to parliament in the June 4 elections from the Solidarity list.

Mr Mieczyslaw Rakowski's government is also giving the subject high priority. Even before spending was going up, Zloty 109bn was spent on environmental protection in 1987, an increase of 35 per cent on 1985 in constant prices. Now some 3 to 4 per cent of the annual capital investment budget goes on pollution control, with efforts being concentrated on sewage treatment works, air filters and land reclamation. Obviously it is not enough. According to Mr Kassenberg the share of spending would have to go up to 12 to 15 per cent of the budget for the effects to begin to be visible. But even where the money is available, throwing it at the problem may not be enough.

Ecology was one of the subjects brought up at Round Table talks between the government and Solidarity earlier this year. Both sides agreed that future development could no longer take place at the expense of the environment.

Ecologists recognise that implementation of market orientated reforms will do a lot to help, simply by forcing greater utilisation of resources. But they also insist that reforms will have to include tougher anti-pollution rules backed by an "environmental police" unit and a strong environment ministry. Evidently companies will still fight shy of installing costly environmental protection equipment. Symptoms that the race for profit could prove harmful are also appearing with cases of some of Poland's new private entrepreneurs agreeing to import harmful waste from the West, slipping it through customs and then dumping it even on municipal rubbish sites.

As elsewhere in the Polish economy, some hopes are being attached to the prospect of western aid, with the Poles looking at dollar debt conversion into Zlotys as a way of raising funds. For the moment, western business interest appears small with a mere handful of companies represented at Poland's first Poleko fair in Poznan last month. Opportunities, however, are endless. Poland's growing mound of unprocessed industrial waste is surely a source of much potential profit.

In another field, Rollstick, a western-owned Polish based company which is specialising in sewage treatment installations for domestic needs, is expanding fast. Its chairman Mr Stanley Adamski is a prime mover behind the semi-private Poleko foundation which wants to act as a conduit for western funds.

The Swedes, worried about the Baltic which is being polluted by Poland's Vistula, are looking at schemes for cleaning up the river which would require funds worth $1bn. Environment Minister, Mr Jozef Koziol, visited Sweden this month and presented Polish government proposals to convert part of its $1m-worth of Swedish debt into Zlotys for environmental purposes.

West Germany is also interested in the subject and some of the 1975 DM1bn "jumbo" loan which seems set to be converted into Zlotys could also be spent in the same way. The US government Environmental Protection Agency has also shown interest in Poland's pollution problems, as have such groups as the World Wildlife Fund. What is needed, though, Mr Kassenberg says, is the establishment of western companies in Poland producing environmental protection equipment.

Christopher Bobinski